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T.R.A. DOCKET ROOM  
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Also Admitted in New York  
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PAID T.R.A.	
Chk #	067075
Amount	75.00
Rcvd By	JK
Date	8-1-03

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July 30, 2003

**VIA FEDERAL EXPRESS**

Mr. David Waddell  
Tennessee Regulatory Authority  
460 James Robertson Parkway  
Nashville, TN 32743-0505

Re: Covista, Inc.

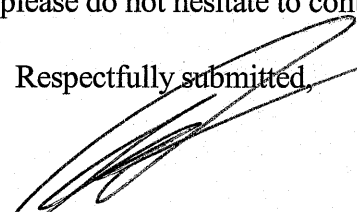
Dear Mr. Waddell:

03-00459

Enclosed please find for filing an original and thirteen (13) copies of Covista, Inc.'s Application for a Certificate of Public Convenience and Necessity to Provide Competing Local Exchange Telecommunications Services in Tennessee. I have also enclosed a check in the amount of \$25.00 payable to the "Tennessee Regulatory Authority" for the filing fee.

I have also enclosed an extra copy of this letter to be date stamped and returned to me in the enclosed, self-addressed, postage prepaid envelope. If you have any questions or if I may provide you with any additional information, please do not hesitate to contact me. Thank you.

Respectfully submitted,

  
Lance J.M. Steinhart  
Attorney for Covista, Inc.

Enclosures

cc: Thomas P. Gunning (w/enc)  
H. LaDon Baltimore/Local Counsel

**STATE OF TENNESSEE  
BEFORE THE TENNESSEE PUBLIC SERVICE COMMISSION**

<b>In re:</b>	)	
	)	
<b>Application of</b>	)	
<b>Covista, Inc.</b>	)	
	)	
<b>For a Certificate of Public</b>	)	<b>DOCKET NO.</b>
<b>Convenience and Necessity to</b>	)	
<b>Provide Competing</b>	)	
<b>Local Exchange</b>	)	
<b>Telecommunications Services</b>	)	

**APPLICATION OF COVISTA, INC. FOR AUTHORITY  
TO PROVIDE COMPETING LOCAL EXCHANGE SERVICE**

Covista, Inc. ("Covista" or "Applicant"), pursuant to T.C.A. §§ 65-2-103, 65-2-102 and 65-4-201; Section 253 of the Federal Telecommunications Act of 1996; and Section 1220-4-8-.04 of the Rules of the Tennessee Public Service Commission Division of Public Utilities, respectfully submits this Application for Authority to Provide Competing Local Exchange Telecommunications Services ("Application") in the State of Tennessee.

Covista intends to offer facilities-based/UNE-P local exchange service to both business and residential customers throughout the state. Applicant intends to provide facilities-based/UNE-P local exchange service to customers located in non-rural local exchange carriers' service areas of Tennessee. Should its Application be granted, Covista plans to commence offering service after the establishment of the appropriate and necessary resale and interconnection arrangements with the incumbent Local Exchange Carriers ("LECs"). Initially, Applicant will be negotiating an interconnection/resale agreement with BellSouth to provide local service.

Approval of this Application will promote the public interest by increasing the level of competition in the Tennessee telecommunications market. Ultimately, competition will compel all telecommunications service providers to operate more efficiently and pass the resultant cost savings on to consumers. In addition, as a result of competition, the overall quality of local exchange service will improve. Applicant is willing and able to adhere to all applicable TRA policies, rules and orders.

In support of its Application, Covista states as follows:

**I. Introduction**

1. The name and address of the Applicant are:  
Covista, Inc.  
721 Broad Street, 2nd Floor  
Chattanooga, Tennessee 37402

The following is a list of applicant's corporate officers and directors:

Officer

A. John Leach	President & CEO
Frank Pazera	CFO, Treasurer & Secretary
Kevin Alward	Chief Operating Officer

Directors

A. John Leach  
Kevin Alward  
Henry G. Luken  
Leon Genet  
Jay J. Miller  
Donald Jones  
W. Thorpe McKenzie  
Nicholas Merrick

The above-named individuals can be reached at:  
Covista, Inc.  
721 Broad Street, 2nd Floor, Chattanooga, Tennessee 37402  
Telephone: (423) 648-9500

Applicant is authorized to provide, and is providing, long distance services throughout the United States. For Tennessee, See Company ID# 115555 and Docket Nos. 95-03238 and 97-07619. Applicant is authorized to provide local exchange services in Alabama, Arkansas, California, Colorado, Connecticut, Delaware, Florida, Illinois, Iowa, Kansas, Kentucky, Massachusetts, Michigan, Minnesota, Montana, Nebraska, Nevada, New Hampshire, New Jersey, New York, North Carolina, Ohio, Oregon, Pennsylvania, Rhode Island, South Dakota, Texas, Virginia, Washington D.C, Washington and Wisconsin. Applicant is in the process of applying for authorization to provide competitive local exchange services in the contiguous states and Hawaii. Applicant has not been denied authority for any of the services for which it seeks authority in this Application. Applicant is not currently providing local service, however, it intends to initiate service in selected markets in the next 90 days.

The name, address and telephone number of a Tennessee contact person responsible for and knowledgeable about Applicant's operations are:

A. John Leach, President  
Covista, Inc.  
721 Broad Street, 2nd Floor  
Chattanooga, Tennessee 37402  
(423) 648-9500

The name, address and telephone number of a person responsible for repair and maintenance (customer service) are:

Tony Barrett, VP of Operations  
Covista, Inc.  
721 Broad Street, 2nd Floor  
Chattanooga, Tennessee 37402  
(423) 648-9600  
(800) 805-1000 (toll-free customer service)  
E-mail: tbarrett@covista.com



2. All correspondence, notices, inquiries and other communications regarding this Application should be directed to:

Lance J.M. Steinhart  
Lance JM Steinhart, PC  
1720 Windward Concourse  
Suite 250  
Alpharetta, Georgia 30005  
(770) 232-9200 (Phone)  
(770) 232-9208 (Facsimile)  
[lsteinhart@telecomcounsel.com](mailto:lsteinhart@telecomcounsel.com) (E-mail)

3. In support of this Application, the following exhibits are attached hereto:

- a. Exhibit A - Covista's Articles of Incorporation, as amended filed with the Secretary of State for the State of New Jersey, and Bylaws;
- b. Exhibit B - Covista's Certificate of Authority to Operate in Tennessee as a Foreign Corporation;
- c. Exhibit C - Covista Communications, Inc.'s Form 10-K for the year ended January 31, 2003 and Form 10-Q for the period ended April 30, 2003, and Tennessee projections. The projections are being filed confidentially.
- d. Exhibit D - Biographies of selected Covista management.
- e. Exhibit E - Corporate Organization Chart
- f. Exhibit F - IntraLATA Presubscription Implementation Plan
- g. Exhibit G - Small and Minority-Owned Telecommunications Business Participation Plan
- h. Exhibit H - Pre-Filed Testimony
- i. Exhibit I - Numbering Issues & Tennessee Specific Operational Issues
- j. Exhibit J - Bond or Letter of Credit
- k. Exhibit K - Tariff

## **II. Description of the Applicant**

### **1. General Information**

Applicant is a New Jersey Corporation, which was formed on March 9, 1960. The company is headquartered at 721 Broad Street, 2nd Floor, Chattanooga, Tennessee 37402. The company is a wholly owned operating subsidiary of Covista Communications, Inc., a publicly held fully reporting SEC company.

### **2. Customer Service**

Registrant's customer service department may be contacted via a toll-free number, (800) 805-1000, or a local number. The Company will maintain a Customer Service Department exclusively for Customer's questions, requests for service, complaints and trouble handling. The Company's Customer Service address and toll free number(s) will be printed on the Customer's bill. The Customer Service Department will be located at 721 Broad Street, 2nd Floor, Chattanooga, Tennessee 37402. The toll free number will be available 24 hours per day, 7 days per week.

Office Hours- Excluding holidays, Customer Service Representatives will be available 8:00 AM to 5:00 PM standard time Monday through Friday. After hours, Sundays and on holidays, Customers will be automatically forwarded to an answering service for messaging and paging.

Complaint Procedures- The Customer shall pose any inquiries or disputes directly to the Company for resolution. Written communications should be directed to the Company's Customer Service department. All undisputed portions of any outstanding balance due are to be paid while resolution of the inquiry or dispute is pending. The Company will investigate a Customer inquiry or dispute and report the findings to the Customer. If the Company finds its actions to be consistent with its Tariff, the Company will inform the Customer of its no fault finding and require full payment of any outstanding balance due. If the Customer is not satisfied with the Company's resolution of an inquiry or dispute, the Customer may refer the matter to the Commission for determination.

**III. Covista Possesses the Technical, Managerial and Financial Expertise Necessary to Provide Local Exchange Service**

Covista possesses the requisite technical, financial and managerial capabilities to operate as a competitive telecommunications provider. These capabilities are explained in detail below.

**1. Financial Qualifications**

Covista is financially able to provide the services proposed in its tariff as evidenced by Covista Communications, Inc.'s Form 10-K for the year ended January 31, 2003 and Form 10-Q for the period ended April 30, 2003.

## **2. Managerial Qualifications**

Covista's senior management team is highly skilled, and has had extensive experience in the telecommunications industry. Using this expertise, Covista's management team has developed innovative marketing and customer care programs, and provides its customers with high quality advanced services at competitive rates. Covista has extensive experience in the technical, managerial, and financial aspects of the telecommunications industry. For a further description of Applicant's qualifications, please see the attached SEC Form 10K and Form 10Q

## **3. Technical Qualifications**

Applicant's key management personnel have significant business and telecommunications experience. Applicant is currently authorized to, and is providing, long distance service throughout the United States. Applicant is authorized to provide local exchange services in Alabama, Arkansas, California, Colorado, Connecticut, Delaware, Florida, Illinois, Iowa, Kansas, Kentucky, Massachusetts, Michigan, Minnesota, Montana, Nebraska, Nevada, New Hampshire, New Jersey, New York, North Carolina, Ohio, Oregon, Pennsylvania, Rhode Island, South Dakota, Texas, Virginia, Washington D.C, Washington and Wisconsin. Applicant is in the process of applying for authorization to provide competitive local exchange services throughout the United States. Applicant has not been denied authority for any of the services for which it seeks authority in this Application. Applicant is not currently providing local service, however, it intends to initiate service in selected markets in the next 90 days. For a further description of Applicant's qualifications, please see the attached SEC Form 10K and Form 10Q. No formal complaints have been filed against Applicant or any of its affiliates by any state or federal agency.

Covista will initially resell services and provide service through the UNE-P platform, utilizing the facilities of the existing LECs or underlying carriers that presently serve Tennessee. Covista will primarily utilize the facilities and services of BellSouth. Although there is no current plans to do so, Covista may install equipment for the provision of local exchange services. If Covista installs facilities in Tennessee, it will probably use the following or a similar configuration of equipment: Covista will provide voice, high speed data and internet access services through a combination of the latest technology switching and transport media comprised of the Lucent Technology 5 ESS Generic 13 switch module, ADSL/SDSL transport and Internet service equipment and the latest Optical multiplexer DAC's configurations. The switching system consists of a central processing and control complex capable of interconnection as a peer to the incumbent as well as competitive local exchange companies. The hub portion of the switch will interconnect with the public switched network on Signaling System 7 ("SS7") or Feature Group D ("FGD") facilities. The system's remote module capability will allow properties to be served in a manner that provides the exchange of appropriate signaling, control and calling/caller information to the network in accordance with network standards and specifications. Additionally, these services will be delivered over a combination of delivery mechanisms through incumbent local carriers' unbundled loop network, both copper and fiber and transport networks, as well as via Covista constructed facilities. There will be no customer provided equipment that will not be compatible with an incumbent local exchange carrier.

Covista is requesting statewide authority. Initial rollout is planned for the Chattanooga and Nashville market areas. Covista has no current plans to install local switching equipment in the State of Tennessee.

As the foregoing illustrates, Covista possesses considerable telecommunications expertise. Covista has been providing a wide range of high quality voice and data telecommunications services to consumers since 1983. Applicant will also rely upon the technical expertise and telecommunications experience of its underlying carriers. Thus, Covista is technically qualified to provide local exchange and interexchange telecommunications services in Tennessee. Applicant also is willing to adhere to all applicable Commission policies, rules and orders.

#### **IV. Approval of Covista's Application is in the Public Interest**

Granting Covista's Application is consistent with the public interest, and, in that regard

Applicant makes the following representations to the Commission:

- a. Applicant possesses the technical, financial, and managerial resources sufficient to provide the services requested;
- b. Applicant's services will meet the service standards required by the Commission;
- c. The provision services by Applicant will not adversely impact the availability of affordable local exchange service;
- d. Applicant, to the extent it is required to do so by the Commission, will participate in the support of universally available telephone service at affordable rates; and,
- e. The provision of local exchange services by Applicant will not adversely impact the public interest.

The demands of a competitive market are a better means to achieve affordability and quality of service than a monopoly environment. As competitors vie for market share, they will compete based upon price, innovation and customer service.

Those providers that offer consumers the most cost effective products will gain market share. In contrast, providers whose products do not meet the needs of consumers will lose market share and may ultimately, be eliminated from the industry.

Additionally, Covista's entry into the local exchange markets will not unreasonably prejudice or disadvantage any telephone service providers. Incumbent local exchange carriers presently serve a large majority of the local exchange customers in Tennessee. The major advantages of incumbency (i.e., ownership of the existing local network as well as access to, and long-standing relationships with, every local customer) constitute a substantial obstacle to new entrants. Moreover, exchange services competition will stimulate the demand for the services supplied by all local service carriers, including those of the incumbent LECs. Thus, in a competitive market, there will be increased potential for such LECs to generate higher revenues. Additionally, in a competitive market, incumbent providers will have market incentives to improve the efficiency of their operations, thereby reducing their costs and ultimately their profit margins.

Currently, Tennessee consumers have a limited choice with regard to the provision of local exchange telecommunications service. A competitive local exchange service market comprised of incumbents and competitive providers such as Covista will offer consumers a competitive option and, therefore, will better satisfy the needs of various market segments. In this regard, approval of this Application is clearly in the public interest.



**V. Description of Services Offered and Service Territory**

Covista expects to offer a full array of local exchange services, including the following:

**Local Exchange:**

- A. Local Exchange Services for business and residence customers that will enable customers to originate and terminate local calls in the local calling area served by other LECs.
- B. Switched local exchange services, including basic service, trunks, carrier access, and any other switched local services that currently exist or will exist in the future.
- C. Non-switched local services (e.g., private line) that currently exist or will exist in the future.
- D. Centrex and/or Centrex-like services that currently exist or will exist in the future.
- E. Digital subscriber line, ISDN, and other high capacity services.

In addition to the services listed above, Covista, through interconnection with other carriers, will offer dual-party relay services, 9-1-1 Emergency Services, directory assistance and operator assisted calls, lifeline, and toll-free calling.

Prior to providing local exchange services to the public in Tennessee, Covista will file a complete Final Tariff and/or Price List with the Commission, which will contain a description of services to be provided, all rules and regulations applicable to such services, and proposed rates for such services. The Applicant's IntraLATA Presubscription Implementation Plan is attached hereto as Exhibit F. Applicant's proposed tariff is attached hereto as Exhibit K.

## **VI. Waivers and Regulatory Compliance**

Covista requests that the Commission grant it a waiver of those regulatory requirements inapplicable to competitive local service resellers such as Covista. Such rules are not appropriate or necessary for competitive providers and constitute an economic barrier to entry into the local exchange market.

### **1. Financial Record-Keeping System**

a. Covista requests that it be exempt from any record-keeping rules or regulations that might require a carrier to maintain its financial records in conformance with the Uniform System of Accounts ("USOA"). The USOA was developed by the FCC as a means of regulating telecommunications companies subject to rate base regulation, and as a competitive carrier, Covista does not maintain its financial records in this manner.

b. As a competitive carrier, Covista maintains its book of accounts in accordance with Generally Accepted Accounting Principles ("GAAP"). Neither the FCC, nor the Commission, has required Covista to maintain its records under the USOA for purposes of Covista's local exchange operations. Thus, Covista does not possess the detailed cost data required by USOA, nor does it maintain detailed records on a state-specific basis. As a competitive provider, Covista's network operations are integrated to achieve maximum efficiency. Having to maintain records pertaining specifically to its Tennessee local service operations would place an extreme burden on Covista.

c. Moreover, Covista asserts that because it utilizes GAAP, the Commission will have a reliable means by which to evaluate Covista's operations. Therefore, Covista hereby respectfully requests to be exempted from the any USOA requirements of the Commission.

d. The Applicant does agree that it will provide wire line activity reports as required by Commission rules and regulations.

## **2. Local Exchange Directories**

Covista requests that it not be required to publish local exchange directories.

Covista will make arrangements with the incumbent LECs whereby the names of Covista's customers will be included in the directories published by the incumbent LECs. LEC directories will also be modified to include Covista's customer service number. These directories will be distributed to Covista's customers. This approach is entirely reasonable and will have a direct benefit to the customers of both Covista and the incumbent LEC since they need only refer to one directory for a universal listing of customer information. It would be an unnecessary burden on Covista to require that it publish and distribute its own directory to all customers located within each exchange area, particularly since nearly all of these customers will be customers of the incumbent LECs. It is more efficient for Covista to simply include its limited customer list in the existing directories of the incumbent LECs.

## **VII. Regulatory Obligations**

Applicant shall provide, either directly or indirectly or through arrangements with other carriers or companies, to the extent required by law or regulation:

1. Provide access to 911 and E 911 emergency service;
2. Provide white page directory listings and directory assistance;
3. Provide consumer access to and support for the Tennessee Relay Center in the same manner as incumbent local exchange telephone companies;
4. Provide free blocking service for 900, 976 type services in accordance with Commission policy;
5. Provide Lifeline and Link-up services to qualifying citizens of this state;
6. Provide educational discounts in existence as of June 6, 1995

Applicant shall also:

1. Provide support for universal service in a manner determined by the Commission. This requirement shall not be construed as prohibiting the granting of a certificate before the universal service issues are determined by the Commission;
2. Provide interconnection with other certificated carriers or Commission authorized carriers on a nondiscriminatory basis under reasonable terms and conditions;
3. Comply with Commission basic service standards as defined in any applicable rules and decisions of the Commission;
4. Provide equal access to authorized inter-and intraLATA long distance providers, unless otherwise exempted by the Commission.

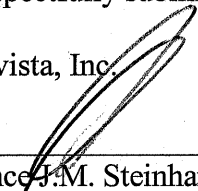
### **VIII. Conclusion**

This Application demonstrates that Covista, Inc., possesses the technical, financial and managerial resources to provide resold and facilities-based/UNE-P local exchange service in the State of Tennessee. Furthermore, granting this Application will promote the public interest by increasing the level of competition in the Tennessee telecommunications market. Ultimately, competition will compel all exchange telecommunications service providers to operate more efficiently and with resulting reduced prices for consumers. In addition, as a result of competition, the overall quality of local exchange service will improve. As stated above, Applicant does not intend to provide local service, by its own facilities or otherwise, to any customer located in a rural incumbent LEC's service area, until Applicant provides such LECs notice of intent at least 30 days prior to the date of the intended service, or as otherwise required by law.

Wherefore, Covista, Inc., respectfully petitions this Commission for a Certificate of Public Convenience and Necessity to Provide Competing local exchange telecommunications services in the State of Tennessee in accordance with this Application and for such other relief as it deems necessary and appropriate.

Respectfully submitted,

Covista, Inc.



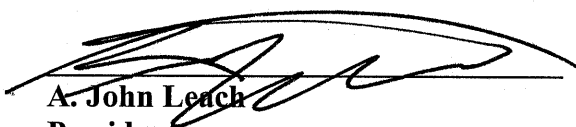
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Lance J.M. Steinhart, Esq.  
Lance JM Steinhart, PC  
1720 Windward Concourse  
Suite 250  
Alpharetta, Georgia 30005  
(770) 232-9200  
*Attorney for Applicant*

July 30, 2003  
Alpharetta, Georgia

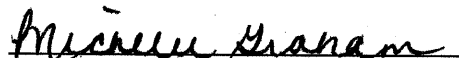
**VERIFICATION OF APPLICANT**

I, A. John Leach, President of Covista, Inc., a New Jersey Corporation, the applicant for a Certificate of Public Convenience and Necessity from the Public Service Commission of the State of Tennessee, verify that based on information and belief, I have knowledge of the statements in the foregoing Application, and I declare that they are true and correct.

  
A. John Leach  
President  
Covista, Inc.

Sworn to me, the undersigned  
Notary Public on this  
21<sup>st</sup> day of March 2003.

State of Tennessee  
County of Hamilton

  
Notary Public

**EXHIBIT "A"**  
**ARTICLES OF INCORPORATION, AS AMENDED & BYLAWS**

CERTIFICATE OF INCORPORATION

OF

MANSOL CERAMICS COMPANY

This is to certify that we, the undersigned, do hereby associate ourselves in a corporation under and by virtue of the provisions of an Act of the Legislature of the State of New Jersey, entitled, "An Act Concerning Corporations," (Title 14 of the Revised Statutes of 1937) and do severally agree to take the number of shares of capital stock set opposite our respective names.

FIRST: The name of the corporation is

MANSOL CERAMICS COMPANY

SECOND: The location of the principal office

in this State is:

744 Broad Street  
City of Newark  
County of Essex

The name of the agent therein in charge thereof upon whom process against this corporation may be served is:

NATHAN RAVIN

THIRD: The objects for which the corporation is formed are:

(a) To engage in the business of compacting, pressing and sintering powdered material, and to develop, manufacture, produce, sell, buy and exchange same. develop, manufacture, produce, sell, buy, purchase, arrange all types of electronic components, devices, mechanism of every nature and description, or any product, device, component or element used in connection therewith, including, but not by way of limitation, any and all types of ceramic devices, components or elements, and for any other purpose that the Board of Directors may deem advisable for the corporation to engage in.



(k) To purchase, hold, reissue and sell the shares of its own capital stock, provided that shares of its own capital stock belonging to it shall not be voted upon directly or indirectly.

(l) To conduct business in any of the States, territories, possessions or dependencies of the United States, in the District of Columbia, and in any and all foreign countries, and to have one or more offices therein and to hold, purchase, mortgage and convey real and personal property therein without limit as to amount, but always subject to the laws of such state, territory, possession, dependency or country.

(m) In general, to carry on other business in connection with the foregoing, and to use and exercise all the powers conferred by Title 14, Corporations, General Revised Statutes of New Jersey, and to do any or all of the things hereinbefore set forth to the same extent as natural persons might or could do, and in any part of the world.

FOURTH: The By-Laws of this corporation shall be made, altered and amended by a majority vote of the directors of the corporation present at any meeting at which a quorum is present as prescribed in the said By-Laws.

FIFTH: The total authorized capital stock of this corporation is One Hundred Thousand (\$100,000.00) Dollars divided into one thousand (1000) shares of a par value of One Hundred (\$100.00) Dollars each.

(a) All or any part of the shares of common stock may be issued by the corporation from time to time, and for such consideration as may be determined and fixed by the Board of Directors as provided by law.

(b) No stockholder shall have pre-emptive

rights in the stock of this corporation.

SIXTH: Any person made a party to any action, suit or proceeding by reason of the fact that he, his testator or intestate, is or was a director or officer of the Corporation, or of any corporation which he served as such at the request of the Corporation, shall be and by virtue of the enactment of this By-Law is hereby indemnified by the Corporation against the reasonable expenses, including attorneys' fees, actually and necessarily incurred by him in defending himself in such action, suit or legal proceeding, or in any appeal therein, except in relation to matters as to which such officer or director is liable for negligence or misconduct in the performance of his duties. Such right to indemnification shall exist whether or not such person continues to be a director or officer of the Corporation or of such other corporation at the time such expenses are incurred. As used in this Article, reasonable expenses shall include, in addition to any other costs which may be imposed upon or reasonably incurred by such director or officer, the amounts of judgments or amount paid in settlement by such officer or director, but shall not include any expenses incurred by such director or officer in connection with a matter which shall have been the subject of such action, suit or legal proceeding, disposed of otherwise than by adjudication on the merits, unless in relation to such matter such director or officer shall not have been liable for negligence or misconduct in the performance of his duties as such director or officer. The right to indemnity and the amount payable by way of indemnity shall be determined and paid in accordance with Section 14:3-4 of the Revised Statutes of the State of New Jersey.

SEVENTH: The names and post office addresses of the incorporators and the number of shares subscribed for by each, the aggregate of which \$3,000.00 of common stock is the amount of capital stock with which this company will commence business are as follows:

JEAN STURITE	4 McGinnis Road Metuchen, New Jersey	10 shares
CECILIA P. McCORMICK	393 Seventh Avenue Newark, New Jersey	10 shares
ZELMA RAVEN	82 Goldsmith Avenue Newark, New Jersey	10 shares

EIGHTH: The period of existence of this corporation is unlimited.

IN WITNESS WHEREOF, we have hereunto set our hands and seals this 8th day of March, 1960.

*Jean Sturite* L.S.  
JEAN STURITE

*Cecilia P. McCormick* L.S.  
CECILIA P. McCORMICK

*Zelma Raven* L.S.  
ZELMA RAVEN

Signed, Sealed and  
Delivered in the  
Presence of


*David N. Havin*  
DAVID N. HAVIN

STATE OF NEW JERSEY:

SS.

COUNTY OF E S S E X:

BE IT REMEMBERED, that on this 8th day of March, 1960, before me, the subscriber, personally appeared JEAN STUBITS, CECILIA P. MCCORMICK, and ZELMA RAVEN, who, I am satisfied, are the persons named in and who executed the foregoing certificate, and, I having first made known to them the contents thereof, they did acknowledge that they signed, sealed and delivered the same as their voluntary act and deed for the uses and purposes therein expressed.

  
\_\_\_\_\_  
DAVID H. HAVIN  
Attorney at Law of New Jersey

CERTIFICATE OF MERGER  
of  
MANSOL DEVELOPMENT CORPORATION

1. In accordance with Title 14A of the New Jersey Statutes, N.J.S. 14A:10-4, as amended, as made and provided, the corporation submits the following Plan of Merger, annexed hereto as Schedule "A", and made a part hereof, by reference as though set forth at length.

2. The number of shares outstanding and entitled to vote in favor of said Plan of Merger, are as follows:

(a) Mansol Ceramics Company, 30 shares outstanding, all voting stock. 30 shares voted unanimously in favor of the Plan of Merger.

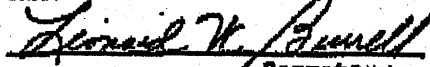
(b) Mansol Development Corporation, 200 shares outstanding, voting stock. 200 shares voted unanimously in favor of the Plan of Merger.

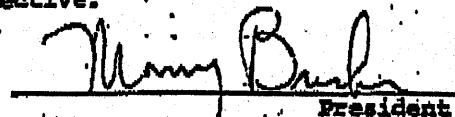
3. Said merger was approved by the Board of Directors, unanimously, of both corporations.

4. The merger shall become effective in accordance with the Plan of Merger, annexed hereto as Schedule "A", at the time of its filing with the Secretary of State.

5. This is to certify that the foregoing constitutes the Plan of Merger, as annexed, its unanimous approval by the Directors and stockholders of the respective corporations, and the date that it shall become effective.

ATTEST:

  
Secretary

  
President

Dated: January 6, 1970

The principal office of the corporation  
is located at 140 Little Street, Belleville,  
County of Essex, State of New Jersey. 07109

AGREEMENT OF MERGER, dated the 6th day of January, 1970, by and between MANSOL DEVELOPMENT CORPORATION, a corporation organized under the laws of the State of New Jersey, hereinafter called "DEVELOPMENT", and MANSOL CERAMICS COMPANY, a corporation, organized under the laws of the State of New Jersey, hereinafter called "CERAMICS"

The authorized capital stock of Development consists of 1000 shares, Class A common non-par value voting stock, of which 200 shares are issued and outstanding; and 1500 shares of Class B common non-par value, non-vot 7, no shares of which are issued and outstanding.

*Note Corp  
Stock*

The authorized capital stock of Ceramics consists of 30 shares of non-par voting stock of which 30 shares are issued and outstanding. Upon the effective date of the merger, hereinafter provided for, there shall be 1000 shares of non-par voting common stock to be issued and outstanding.

The Boards of Directors of Development and Ceramics, respectively, deem it desirable and in the best interest of the corporations and their stockholders that Development be merged into Ceramics and the corporations respectively desire that they so merge under and pursuant to the laws of the State of New Jersey, as made and provided.

Now, therefore, in consideration of the premises and of the mutual covenants and agreements herein set forth and for the purpose of prescribing the terms and conditions of such merger, the parties hereto covenant and agree as follows:

1. As soon as all the following events shall have happened, viz.,

(a) This Agreement shall have been adopted and approved by the votes of the holders of all of the outstanding capital stock of Ceramics and Development, in accordance with the requirements of the laws of the State of New Jersey, as made and provided, and that fact shall have been certified hereon by the respective secretaries or assistant secretaries of each of such corporations under their respective corporate seals; and

(b) This Agreement, so adopted and certified, shall have been signed, acknowledged and filed, all as required by the provisions of Title 14A of New Jersey Statute (General Corporation Act of the State of New Jersey, as amended), as made and provided.

(c) A Certificate of Merger shall be executed on behalf of each corporation and shall be filed in the Office of the Secretary of State of New Jersey, in accordance with Title 14A, 10-4 of the New Jersey Statutes, as amended; thereupon Development shall be deemed to have merged with and into Ceramics which shall survive the merger and which shall have the name provided in paragraph 2 hereof.

The single corporation which shall so survive the merger is hereinafter sometimes called the Surviving Corporation. Development and Ceramics are hereinafter sometimes called the Constituent Corporations; and the date and time when the Constituent Corporations shall merge and become the Surviving Corporation are hereinafter referred to as "the effective date of the merger".

2. The name of the Surviving Corporation shall be Mansel Ceramics Company. The purposes for which the Surviving Corporation is formed and the nature of the business to be transacted by it shall be as set forth in the Act of Incorporation of

of Ceramics, as amended on the effective date of the merger.

3. On the effective date of the merger, the Act of Incorporation of Ceramics, as amended to date and as it will be amended by the Amendment-Articles of Consolidation filed in New Jersey, shall be the Act of Incorporation of the Surviving Corporation until further amended as provided by law.

4. On the effective date of the merger, the By-laws of Ceramic, as heretofore amended, shall be the By-laws of the Surviving Corporation until the same shall be altered, amended, or repealed, or until new By-laws shall be adopted, in accordance with the provisions thereof.

5. The Board of Directors of the Surviving Corporation shall consist of four (4) directors, and shall hold office until the next annual meeting of the stockholders of the Surviving Corporation; and until his successor shall have been duly elected and shall have qualified, or until his earlier death, resignation, or removal. The respective names, places of residence, and addresses of such directors are as follows:

Bernard P. Birnbaum Chairman	200 Powers Building Rochester, New York 14614
Saul I. Birnbaum Director	65 West 55th Street New York, New York 10019
Sol Feldman Director	1313 Mercedes Street Teaneck, New Jersey 07666
Manny Brucker, Director	51 Richard Drive Short Hills, New Jersey 07078

The principal officers of the Surviving Corporation, each of whom shall hold office until his successor shall have been duly elected or appointed and shall have qualified or until his earlier death, resignation, or removal, and their respective offices,



places of residence, and post office addresses, are as follows:

Bernard P. Birnbaum  
Chairman of the Board

200 Powers Building  
Rochester, N. Y. 14614

Manny Brucker  
President

51 Richard Drive  
Short Hills, N. J. 07078

Sol Feldman  
Treasurer

1313 Marcedes Street  
Tannock, N. J. 07666

Leonard W. Burrell  
Secretary

38 Crescent Terrace  
Bellaville, N. J. 07109

6. On the effective date of the merger, the total amount of capital stock of the Surviving Corporation to be authorized, the number of shares into which the capital stock is to be divided, and the par value of the shares are as follows:

1000 shares authorized non-par voting common stock, \$65 shares thereon to be issued to the present stockholders of Ceramics 33 shares thereof to be issued to the present stockholders of Development. The Certificate of Incorporation of the Surviving Corporation shall be deemed amended in accordance with the terms and provisions hereof.

It is acknowledged and confirmed by the Board of Directors of the respective corporations that Faradyn Electronics Corp. is the stockholder of 100% of the issued and outstanding capital stock of Development and Ceramics and accordingly will be the owner of 100% of the issued and outstanding capital stock of Surviving Corporation.

7. Upon the issuance of the shares of capital stock, as provided hereinabove, in exchange for the shares of Development and Ceramics in the Surviving Corporation, the shares so surrendered to the Surviving Corporation shall be cancelled of record and appropriately marked in the stock ledger of the respective

corporations.

2. On the effective date of the merger Development shall cease to exist separately and shall be so merged with an into Ceramics in accordance with the provisions of the Agreement and in accordance with the provisions of and with the effect provided in Title 14A of the New Jersey Statutes (New Jersey Corporation Act), as amended, as made and provided. As provided therein, on the effective date of the merger, the Surviving Corporation shall possess all the rights, privileges, powers, franchises and trust and fiduciary duties, powers, and obligations, as well of a public as of a private nature, and be subject to all the restrictions, disabilities, and duties of each of the Constituent Corporations, and all and singular, the rights, privileges, powers, duties, and obligations, of each of the Constituent Corporations; and all property, real, personal, and mixed, and all debts due to either of the Constituent Corporations on whatever account, as well for stock subscriptions as all other things in action or belonging to each of the Constituent Corporations shall be vested in the Surviving Corporation; and all property, rights, privileges, powers, and franchises, and all and every other interest shall be thereafter as effectually the property of the Surviving Corporation as they were of the respective Constituent Corporations; and the title to any real estate, whether vested by deed or otherwise, in either of the Constituent Corporations shall not revert or be in any way impaired by reason of the merger; provided, however, that all rights of creditors and all liens upon any property of either of the Constituent Corporations shall be preserved unimpaired, and all debts, liabilities, and

duties of the respective Constituent Corporations shall thenceforth attach to the Surviving Corporation, and may be enforced against it to the same extent as if such debts, liabilities, and duties had been incurred or contracted by the Surviving Corporation.

9. From time to time, as and when requested by the Surviving Corporation or by its successors or assigns, Development will execute and deliver, or cause to be executed and delivered, all such deeds and other instruments; and will take or cause to be taken such further or other action as the Surviving Corporation may deem necessary or desirable in order to vest in and confirm to the Surviving Corporation title to and possession of all its property, rights, privileges, powers, and franchises and otherwise to carry out the intent and purposes of this Agreement.

10. The location of the principal office of the Surviving Corporation shall be 140 Little Street, Belleville, New Jersey. Registered agent Sol Feldman.

11. The Surviving Corporation hereby reserves the right to amend, alter, change, or repeal any provision contained in its Act of Incorporation, as from time to time amended, and any provision contained in the Agreement, in the manner now or hereafter prescribed by law or by such Act, as from time to time amended; and all rights and powers of whatever nature conferred in such Act of Incorporation, as from time to time amended, or herein, upon any stockholder, director, officer, or any other person are subject to this reservation.

IN WITNESS WHEREOF, Mansol Ceramics Company and Mansol

Development Corporation, have caused this Agreement to be signed in their corporate names by their respective Presidents or Vice-Presidents and their respective Secretaries or Assistant Secretaries under the seals of the corporations, all as of the day and year first above written.

Attest:

Leonard W. Powell  
Secretary

MANSOL CERAMICS COMPANY

By Henry B. B. B.  
President

Attest:

Leonard W. Powell  
Secretary

MANSOL DEVELOPMENT CORPORATION

By Henry B. B. B.  
President

**CERTIFICATE OF SECRETARY OF MANSOL CERAMICS  
COMPANY, a corporation**

This is to certify, as Secretary of MANSOL CERAMICS  
COMPANY, that the foregoing Agreement was adopted by a majority  
of the stockholders and directors of the corporation, on the  
6th day of January, 1970.

Lionel H. Beurell  
Secretary

**CERTIFICATE OF SECRETARY OF MANSOL DEVELOPMENT  
CORPORATION, a corporation**

This is to certify, as Secretary of MANSOL DEVELOPMENT  
CORPORATION, that the foregoing Agreement was adopted by a  
majority of the stockholders and directors of the corporation,  
on the 6th day of January, 1970.

Leonard W. Burrell  
Secretary

STATE OF NEW JERSEY:  
COUNTY OF *Essex* SS:

BE IT REMEMBERED that on this *22nd* day of January in the year One Thousand Nine Hundred and Seventy, before me, the subscriber, a Notary Public of New Jersey personally appeared *Leonard W. Russell* who, being by me duly sworn on his oath, doth depose and make proof to my satisfaction, that he is the Secretary of Mansol Development Corporation, that *Manny Russell* named in the within Instrument is the President of said corporation; that the execution, as well as the making of this Instrument has been duly authorized by a proper resolution of the Board of Directors of said corporation; that deponent well knows the corporate seal of said corporation; and the seal affixed to said Instrument is such corporate seal and was thereto affixed and said Instrument signed and delivered by said President, as and for his voluntary act and deed and as and for the voluntary act and deed of said corporation, in presence of deponent, who thereupon subscribed his name thereto as witness.

*Leonard W. Russell*  
Secretary

Sworn and subscribed before  
me,

at *January 29*  
the date aforesaid

*Ethel Lee*

A Notary Public of New Jersey

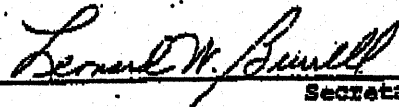
ETHEL LEE  
NOTARY PUBLIC OF NEW JERSEY.  
My Commission Expires Nov. 7, 1974

JOINT RESOLUTION OF BOARD OF DIRECTORS  
and STOCKHOLDERS  
OF  
MANSOL CERAMICS COMPANY

At a special joint meeting of the Board of Directors  
of Mansol Ceramics Company, and upon motion made and duly carried,  
it was unanimously resolved that the following resolution be  
approved:

"BE IT RESOLVED, that the corporation be and hereby  
is authorized to act upon a Plan of Merger between Mansol  
Ceramics Company and Mansol Development Corporation,  
and the amendment of the Certificate of Incorporation,  
in accordance with the provisions of the Plan of Merger,  
and be it further

RESOLVED, that the President of the corporation be  
authorized to execute the Agreement of Merger, dated  
the 6th day of January, 1970, and to execute such other  
and further documents and Certificates as may be re-  
quired".

  
Secretary



JOINT RESOLUTION OF BOARD OF DIRECTORS  
and Stockholders  
of  
MANSOL DEVELOPMENT CORPORATION

At a special joint meeting of the Board of Directors  
of Mansol Development Corporation, and upon motion made and duly  
carried, it was unanimously resolved that the following resolution  
be approved:

"BE IT RESOLVED, that the corporation be and hereby is  
authorized to act upon a Plan of Merger between Mansol  
Development Corporation and Mansol Ceramics Company,  
and the amendment of the Certificate of Incorporation,  
in accordance with the provisions of the Plan of Merger,  
and be it further

RESOLVED, that the President of the corporation be  
authorized to execute the Agreement of Merger, dated  
the 6th day of January, 1970, and to execute such other  
and further documents and Certificates as may be re-  
quired".

*Leonard W. Burrell*

Secretary

993199

FILED AND RECORDED

JAN 23 1970

Paul J. Higgins  
SPECIAL AGENT

LOOSE PA 10.00  
PAGES PA 18.00  
RECORDING  
COURT REPORT  
SEC. OF STATE  
TC - 10.00  
\$53.00

Subscribed by the  
James H. Higgins  
for the  
140  
2-5-102

UNITED STATES DEPARTMENT OF JUSTICE  
FEDERAL BUREAU OF INVESTIGATION  
WASHINGTON, D. C. 20535

TO : DIRECTOR, FBI  
FROM : SAC, NEW YORK  
SUBJECT: [illegible]

Re New York letter to Bureau dated 1/15/70.  
Enclosed for the Bureau are two copies of a letterhead memorandum (LHM) dated and captioned as above.  
The LHM is being furnished to the Bureau for information.

ADMINISTRATIVE SECTION  
FEDERAL BUREAU OF INVESTIGATION  
U. S. DEPARTMENT OF JUSTICE

NCB  
FILED

MAR 1 1994

AMENDED CERTIFICATE OF INCORPORATION  
OF  
MANSOL CERAMICS COMPANY

LONNA R. HOOKS  
Secretary of State

09/9636

The undersigned hereby certifies that the following is an amendment to the certificate of incorporation of Mansol Ceramics Company (same being originally filed March 9, 1960), duly authorized by a vote of the shareholders all in accordance with N.J.S.A. 14A:9-2(4). In accordance with the requirements of N.J.S.A. 14A:9-4(a), the following information is set forth:

**FIRST:** The name of the corporation is Mansol Ceramics Company.

**SECOND:** The Certificate of Incorporation filed March 9, 1960 is hereby amended to change the name of the corporation to  
TOTALTEL INC. *an*

**THIRD:** On February 4, 1994, Total-Tel USA Communications, Inc., the sole shareholder in the corporation, by unanimous consent of its Board of Directors, consented to the above amendment.

**FOURTH:** The effective date of this amendment shall be the date of the filing hereof.

IN WITNESS WHEREOF, the undersigned being duly authorized by the Board of Directors, and with the consent of the sole shareholder, does hereby set his hand and seal this 17 day of February, 1994.

ATTEST:

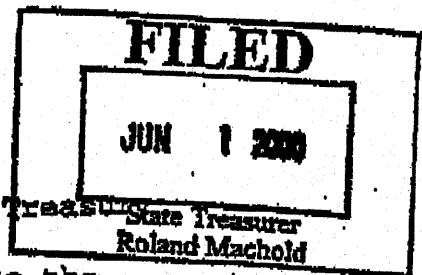
MANSOL CERAMICS COMPANY

*Lonna R. Hooks*

*Warren H. Feldman*  
WARREN H. FELDMAN  
President &  
Chief Executive Officer

5639180000  
Y 093199

CGN



C-102A Rev 12/93

New Jersey Department of the Treasury  
Division of Revenue  
Certificate of Amendment to the  
Certificate of Incorporation  
(For Use by Domestic Profit Corporations)

Pursuant to the provisions of Section 14A:9-2 (4) and Section 14A:9-4 (3), Corporations, General, of the New Jersey Statutes, the undersigned corporation executes the following Certificate of Amendment to its Certificate of Incorporation:

1. The name of the corporation is: TOTALTEL, INC..
2. The following amendment to the Certificate of Incorporation was approved by the directors and thereafter duly adopted by the shareholders of the corporation on the 30<sup>th</sup> day of May, 2000:

Resolved, that Article FIRST of the Certificate of Incorporation be amended to read as follows:

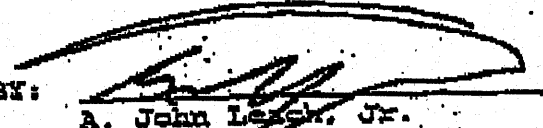
FIRST: The name of the corporation is Covista, Inc..

3. The number of shares outstanding at the time of the adoption of the amendment was: Not Applicable  
The total number of shares entitled to vote thereon was:  
Not Applicable
4. The number of shares voting for and against such amendment is as follows:

Number of Shares  
Voting For Amendment  
Not Applicable

Number of Shares  
Voting Against Amendment  
Not Applicable

BY:

  
A. John Leach, Jr.  
President

Dated this 31<sup>st</sup> day of May, 2000

797402

1502100

1502101

5639180000

**STATE OF NEW JERSEY  
DEPARTMENT OF TREASURY  
FILING CERTIFICATION (CERTIFIED COPY)**

**COVISTA, INC.**

*I, the Treasurer of the State of New Jersey,  
do hereby certify, that the above named business  
did file and record in this department the below  
listed document(s) and that the foregoing is a  
true copy of the  
Certificate Of Incorporation  
Certificate Of Merger  
Certificate Of Amended  
Certificate Of Amendment  
as the same is taken from and compared with the  
original(s) filed in this office on the date set  
forth on each instrument and now remaining on file  
and of record in my office.*



*IN TESTIMONY WHEREOF, I have  
hereunto set my hand and  
affixed my Official Seal  
at Trenton, this  
24th day of July, 2000*

*Roland M. Machold*

**Roland M. Machold  
Treasurer**

**EXHIBIT "B"**  
**FOREIGN CORPORATION QUALIFICATION**

Secretary of State

Corporations Section

James K. Polk Building, Suite 1800

Nashville, Tennessee 37243-0306

DATE: 07/31/00  
REQUEST NUMBER: 3962-0369  
TELEPHONE CONTACT: (615) 741-2286  
FILE DATE/TIME: 07/27/00 0942  
EFFECTIVE DATE/TIME: 07/27/00 1630  
CONTROL NUMBER: 0339612

TO:  
TOTALTEL INC  
150 CLOVE RD  
8TH FL  
LITTLE FALLS, NJ 07424

RE:  
COVISTA, INC.  
APPLICATION FOR AMENDED CERTIFICATE OF  
AUTHORITY - FOR PROFIT

THIS WILL ACKNOWLEDGE THE FILING OF THE ATTACHED DOCUMENT WITH AN  
EFFECTIVE DATE AS INDICATED ABOVE.

WHEN CORRESPONDING WITH THIS OFFICE OR SUBMITTING DOCUMENTS FOR  
FILING, PLEASE REFER TO THE CORPORATION CONTROL NUMBER GIVEN ABOVE.

FOR: APPLICATION FOR AMENDED CERTIFICATE OF  
AUTHORITY - FOR PROFIT

ON DATE: 07/31/00

FROM:  
TOTALTEL INC.  
8TH FLOOR  
150 CLOVE ROAD  
LITTLE FALLS, NJ 07424-0000

	FEES	
RECEIVED:	\$20.00	\$0.00
TOTAL PAYMENT RECEIVED:		\$20.00
RECEIPT NUMBER:	00002718850	
ACCOUNT NUMBER:	00225654	



*Riley C. Darnell*

RILEY C. DARNELL  
SECRETARY OF STATE

State of Tennessee



Department of State  
Corporations Section  
18th Floor, James K. Polk Building  
Nashville, TN 37243-0306

30612 0369  
APPLICATION FOR AMENDED  
CERTIFICATE OF AUTHORITY  
(FOR PROFIT)

For Office Use Only

To the Secretary of State of the State of Tennessee:

Pursuant to the provisions of Section 48-25-104 of the Tennessee Business Corporation Act, the undersigned corporation hereby applies for an amended certificate of authority to transact business in the State of Tennessee, and for that purpose sets forth:

1. The name of the corporation is TotalTel, Inc.

If different, the name under which the certificate of authority is to be obtained is  
Covista, Inc.

2. The state or country under whose law it is incorporated is New Jersey

3. The date of its incorporation is 3/9/60 (must be month, day, and year), and the period of duration, if other than perpetual, is perpetual

4. The complete street address (including zip code) of its principal office is  
150 Clove Road, 8th Floor, Little Falls, NJ 07424  
Street City State/Country Zip Code

5. The complete street address (including the county and the zip code) of its registered office in Tennessee is  
1912 Haynes Street, Nashville, TN 37203  
Street City/State County Zip Code

The name of its registered agent at that office is National Registered Agents, Inc.

6. The names and complete business addresses (including zip code) of its current officers are: (Attach separate sheet if necessary.)  
See attached.

7. The names and complete business addresses (including zip code) of its current board of directors are: (Attach separate sheet if necessary.)  
See attached.

8. The corporation is a corporation for profit.

9. If the document is not to be effective upon filing by the Secretary of State, the delayed effective date/time is \_\_\_\_\_, \_\_\_\_\_ (date), \_\_\_\_\_ (time).

[NOTE: A delayed effective date shall not be later than the 90th day after the date this document is filed by the Secretary of State.]

[NOTE: This application must be accompanied by a certificate of existence (or a document of similar import) duly authenticated by the Secretary of State or other official having custody of corporate records in the state or country under whose law it is incorporated. The certificate shall not bear a date of more than two (2) months prior to the date the application is successfully filed in Tennessee.]

July 14, 2000

Signature Date

V.P., C.F.O.

Signer's Capacity

Covista, Inc.

Name of Corporation

Signature

Thomas P. Gunning

Named (typed or printed)



SS-4435 (Rev. 3/99)

RDA 1678



8362 0370

**LIST OF OFFICERS AND DIRECTORS OF**  
**COVISTA, INC. F/K/A TOTALTEL, INC.**

**Officers & Directors:**

A. John Leach  
Thomas P. Gunning  
Walt Anderson  
Leon Genet  
Jay J. Miller  
Henry Luken

President/CEO  
Vice President/CFO/Treasurer/Secretary  
Chairman/Director  
Director  
Director  
Director

The above listed Officers & Directors can be reached at the following business address:  
150 Clove Road, 8<sup>th</sup> Floor, Little Falls, NJ 07424.

STATE OF NEW JERSEY  
DEPARTMENT OF TREASURY  
SHORT FORM STANDING

COVISTA, INC.

*With the Previous or Alternate Name*

TOTALTEL INC.

*I, the Treasurer of the State of New Jersey,  
do hereby certify that the above-named  
New Jersey Domestic Profit Corporation was  
registered by this office on March 9, 1960.*

*As of the date of this certificate, said business  
continues as an active business in good standing  
in the State of New Jersey, and its Annual Reports  
are current.*

*I further certify that the registered agent and  
registered office are:*

Thomas P Gunning  
150 Clove Rd  
8th Flr  
Little Falls, NJ 07424

*Continued on next page . . .*

STATE OF NEW JERSEY  
DEPARTMENT OF TREASURY  
SHORT FORM STANDING

COVISTA, INC.  
With the Previous or Alternate Name  
TOTALTEL INC.



IN TESTIMONY WHEREOF, I have  
hereunto set my hand and  
affixed my Official Seal  
at Trenton, this  
24th day of July, 2000

*Roland M Machold*

Roland M Machold  
Treasurer

**Lance J.M. Steinhart**

Attorney At Law  
6455 East Johns Crossing  
Suite 285  
Duluth, Georgia 30097

Also Admitted in New York  
and Maryland

Telephone: (770) 232-9200  
Facsimile: (770) 232-9208

July 26, 2000

**VIA FEDERAL EXPRESS**

Corporations Section  
Secretary of State  
1800 James K. Polk Building  
500 Deaderick St.  
Nashville, Tennessee 37243-0306  
(615) 741-2816

RE: Amended Certificate of Authority for Covista, Inc. f/k/a TotalTel, Inc.

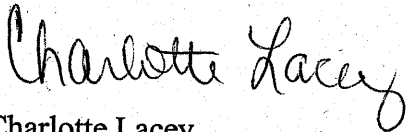
Dear Sir/Madam:

Enclosed please find:

1. Two originals of the Amended Application for Certificate of Authority of a Foreign Corporation;
2. Certificate of Good Standing issued by the State of New Jersey; and
3. A check in the amount of \$20 payable to the Secretary of State in payment of the filing fee and the issuance of the Certificate of Authority.

Please return confirmation of filing in the envelope provided. If additional information is needed, please do not hesitate to call. Thank you for your assistance.

Sincerely,



Charlotte Lacey  
Legal Assistant

Enclosures

c: Mr. David Benamy (w/enc)

**LIST OF OFFICERS AND DIRECTORS OF**  
**COVISTA, INC. F/K/A TOTALTEL, INC.**

**Officers & Directors:**

A. John Leach  
Thomas P. Gunning  
Walt Anderson  
Leon Genet  
Jay J. Miller  
Henry Luken

President/CEO  
Vice President/CFO/Treasurer/Secretary  
Chairman/Director  
Director  
Director  
Director

The above listed Officers & Directors can be reached at the following business address:  
150 Clove Road, 8<sup>th</sup> Floor, Little Falls, NJ 07424.

State of Tennessee



Department of State  
Corporations Section  
18th Floor, James K. Polk Building  
Nashville, TN 37243-0306

APPLICATION FOR AMENDED  
CERTIFICATE OF AUTHORITY  
(FOR PROFIT)

For Office Use Only

To the Secretary of State of the State of Tennessee:

Pursuant to the provisions of Section 48-25-104 of the Tennessee Business Corporation Act, the undersigned corporation hereby applies for an amended certificate of authority to transact business in the State of Tennessee, and for that purpose sets forth:

1. The name of the corporation is TotalTel, Inc.

If different, the name under which the certificate of authority is to be obtained is \_\_\_\_\_  
Covista, Inc.

2. The state or country under whose law it is incorporated is New Jersey

3. The date of its incorporation is 3/9/60 (must be month, day, and year), and the period of duration, if other than perpetual, is perpetual

4. The complete street address (including zip code) of its principal office is \_\_\_\_\_  
150 Clove Road, 8th Floor, Little Falls, NJ 07424  
Street City State/Country Zip Code

5. The complete street address (including the county and the zip code) of its registered office in Tennessee is \_\_\_\_\_  
1912 Haynes Street, Nashville, TN 37203  
Street City/State County Zip Code

The name of its registered agent at that office is National Registered Agents, Inc.

6. The names and complete business addresses (including zip code) of its current officers are: (Attach separate sheet if necessary.)  
See attached.

7. The names and complete business addresses (including zip code) of its current board of directors are: (Attach separate sheet if necessary.)  
See attached.

8. The corporation is a corporation for profit.

9. If the document is not to be effective upon filing by the Secretary of State, the delayed effective date/time is \_\_\_\_\_, \_\_\_\_\_ (date), \_\_\_\_\_ (time).

[NOTE: A delayed effective date shall not be later than the 90th day after the date this document is filed by the Secretary of State.]

[NOTE: This application must be accompanied by a certificate of existence (or a document of similar import) duly authenticated by the Secretary of State or other official having custody of corporate records in the state or country under whose law it is incorporated. The certificate shall not bear a date of more than two (2) months prior to the date the application is successfully filed in Tennessee.]

July 14, 2000

Signature Date

V.P., C.F.O.

Signer's Capacity

Covista, Inc.

Name of Corporation

Thomas P. Gunning  
Signature

Thomas P. Gunning  
Named (typed or printed)



SS-4435 (Rev. 3/99)

RDA 1678

**EXHIBIT "C"**  
**FINANCIAL INFORMATION**

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

**FORM 10-Q**

(Mark one)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended: April 30, 2003

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 0-2180

**COVISTA COMMUNICATIONS, INC.**  
(Exact name of registrant as specified in its charter)

New Jersey  
(State or other Jurisdiction of  
incorporation or organization)

22-1656895  
(I.R.S. Employer  
Identification No.)

**721 Broad Street, Suite 200 Chattanooga, TN 37402**  
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (423) 648-9700

4803 Highway 58 North, Chattanooga, TN 37416  
(Former address of principal executive offices) (Zip Code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class  
Common Share, \$.05 par value

Outstanding at June 1, 2003  
17,783,092 shares



**COVISTA COMMUNICATIONS, INC.**  
**AND SUBSIDIARIES**  
**SECOND QUARTER REPORT ON FORM 10-Q**

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**COVISTA COMMUNICATIONS, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND**  
**COMPREHENSIVE LOSS**  
(Unaudited)

	Three Months Ended April 30,	
	<u>2003</u>	<u>2002</u>
<b>NET REVENUE</b>	<u>\$23,269,857</u>	<u>\$24,548,143</u>
Costs and Expenses		
Cost of revenue	13,288,202	17,673,366
Selling, general and administrative	9,116,437	8,300,497
Depreciation and amortization	1,567,096	1,229,294
Other compensation	--	12,011
Total costs and expenses	<u>23,971,735</u>	<u>27,215,168</u>
<b>OPERATING LOSS</b>	<u>(701,878)</u>	<u>(2,667,025)</u>
Other Income (Expense)		
Interest income	4,909	1,617
Other	372	(85,675)
Interest expense	(81,204)	(113,562)
Total other income (expense)	<u>(75,923)</u>	<u>(197,620)</u>
Loss before income taxes	(777,801)	(2,864,644)
Income taxes	--	--
<b>NET LOSS</b>	<u>(777,801)</u>	<u>(2,864,644)</u>
<b>BASIC LOSS PER COMMON SHARE</b>	<u>\$ (0.04)</u>	<u>\$(0.23)</u>
<b>DILUTED LOSS PER COMMON SHARE</b>	<u>\$ (0.04)</u>	<u>\$(0.23)</u>

See notes to condensed consolidated financial statements.

**COVISTA COMMUNICATIONS, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**

	<u>April 30, 2003</u> (Unaudited)	<u>January 31, 2003</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$4,173,194	\$3,444,307
Accounts receivable, net	15,045,639	15,716,015
Prepaid expenses and other current assets	831,169	626,574
<b>TOTAL CURRENT ASSETS</b>	<u>20,050,002</u>	<u>19,786,896</u>
<b>PROPERTY AND EQUIPMENT, NET</b>	<u>14,221,252</u>	<u>15,150,416</u>
<b>OTHER ASSETS:</b>		
Deferred line installation costs, net	564,670	473,688
Intangible assets, net	6,268,233	6,786,967
Goodwill	8,205,850	8,205,850
Other assets	486,275	646,581
<b>TOTAL OTHER ASSETS</b>	<u>15,525,028</u>	<u>16,113,086</u>
<b>TOTAL ASSETS</b>	<u>\$49,796,282</u>	<u>\$51,050,398</u>

See notes to condensed consolidated financial statements.

**COVISTA COMMUNICATIONS, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**

	<u>April 30, 2003</u>	<u>January 31, 2003</u>
	(Unaudited)	
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Current portion of long-term debt	\$4,374,669	\$2,827,999
Accounts payable	12,776,025	15,073,691
Other current and accrued liabilities	11,470,908	11,024,151
Salaries and wages payable	535,119	397,430
<b>TOTAL CURRENT LIABILITIES</b>	<u>\$29,156,721</u>	<u>29,323,271</u>
<b>OTHER LONG-TERM LIABILITIES</b>	<u>228,253</u>	<u>223,434</u>
<b>LONG-TERM DEBT</b>	<u>1,496,175</u>	<u>1,810,759</u>
<b>TOTAL LIABILITIES</b>	<u>30,881,149</u>	<u>31,357,464</u>
<b>SHAREHOLDERS' EQUITY:</b>		
Common Stock	965,976	965,976
Additional paid-in-capital	52,834,984	52,834,984
Accumulated deficit	(33,440,387)	(32,662,586)
Treasury stock	(1,445,440)	(1,445,440)
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<u>18,915,133</u>	<u>19,692,934</u>
	<u>\$49,796,282</u>	<u>\$51,050,398</u>

See notes to condensed consolidated financial statements.

**COVISTA COMMUNICATIONS, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(Unaudited)**

	Three Months Ended April 30,	
	<u>2003</u>	<u>2002</u>
<b>OPERATING ACTIVITIES:</b>		
Net loss	\$(777,801)	\$(2,864,644)
Adjustment for non-cash charges	2,191,494	2,031,156
Changes in assets and liabilities, net of effect of acquisition of business	(1,706,712)	(1,264,737)
Net cash used in by operating activities	<u>(293,019)</u>	<u>(2,098,225)</u>
<b>INVESTING ACTIVITIES:</b>		
Cash acquired in purchase of business		1,179,172
Proceeds on sale of marketable securities	--	439,773
Purchase of property and equipment	(83,620)	(425,071)
Additions to deferred line installation cost	(126,560)	(19,248)
Net cash provided used in investing activities	<u>(210,180)</u>	<u>1,174,626</u>
<b>FINANCING ACTIVITIES:</b>		
Sale of Common Stock	--	174,140
Bank Borrowing – net of repayment	1,232,086	42,506
Note payable to related party	--	2,600,000
Net cash provided by financing activities	<u>1,232,086</u>	<u>2,816,646</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<u>728,887</u>	<u>1,893,047</u>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	<u>3,444,307</u>	<u>1,379,038</u>
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<u>\$4,173,194</u>	<u>\$3,272,085</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>		
Cash paid (received) during the period for:		
Interest	\$64,001	\$6,295
Business Acquired		
Fair Value of Assets	--	\$21,524,458
Less Liability Assumed	--	(10,056,503)
Less: Stock Consideration for business acquired	--	(12,647,127)
Cash acquired from business acquired	--	(1,179,172)

See notes to condensed consolidated financial statements

## COVISTA COMMUNICATIONS, INC. AND SUBSIDIARIES

### NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

#### NOTE A – BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. They do not include all information and notes required by generally accepted accounting principles for complete financial statements. However, except as disclosed herein, there has been no material change in the information disclosed in the notes to the consolidated financial statements included in the Annual Report on Form 10-K of Covista Communications, Inc. and Subsidiaries (Covista) for the fiscal year ended January 31, 2003. In the opinion of management, all adjustments (consisting of normal recurring accruals only) considered necessary for a fair presentation have been included. Operating results for the three-month period ended April 30, 2003 are not necessarily indicative of the results that may be expected for the year ending January 31, 2004. Certain reclassifications have been made to conform prior years' balances to the current year presentation.

#### Revenue Recognition

The Company's revenues, net of sales discounts, are recognized in the period in which the service is provided, based on the number of minutes of telecommunications traffic carried, and a rate per minute. Access and other service fees charged to customers, typically monthly, are recognized in the period in which service is provided.

#### Deferred Line Installation Costs

The Company defers charges from other common carriers related to the cost of installing telephone transmission facilities (lines). Amortization of these costs is provided using the straight-line method over the related contract life of the lines ranging from three to five years.

#### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

## Concentrations of Credit Risk

The Company sells its telecommunications services and products primarily to small to medium size businesses, residential and wholesale customers. The Company performs ongoing credit evaluations of both its retail and wholesale customers. The Company generally does not require collateral, however when circumstances warrant, deposits are required. Recent conditions in the telecommunications industry have given rise to an increase in potential doubtful accounts. Allowances are maintained for such potential credit losses. The Company has entered into offset arrangements with certain of its customers, who are also vendors, allowing for the ability to offset receivables against the Company's payable balance.

## **NOTE B – NEW ACCOUNTING PRONOUNCEMENTS**

In November 2002, the FASB issued FASB Interpretation No. 45 ("FIN 45"), "Guarantees," an interpretation of FASB Statement No. 5, "Accounting for Contingencies." This interpretation elaborates on the disclosures to be made by a guarantor in its interim and annual financial statements about its obligations under certain guarantees that it has issued. Covista has adopted FIN 45 and there has not been a material impact on its financial position or results of operations.

In January 2003, FASB issued FASB Interpretation No. 46, Consolidation of Variable Interest Entities ("FIN 46"). FIN 46 requires a variable interest entity to be consolidated by a company if that company is subject to a majority of the risk of loss from the variable interest entity's activities or entitled to receive a majority of the entity's residual returns or both. FIN 46 also requires disclosures about variable interest entities that a company is not required to consolidate but in which it has a significant variable interest. Covista has adopted FIN 46 and there has not been a material impact on its financial position or results of operations.

## **NOTE C – STOCK BASED COMPENSATION**

The following disclosure complies with the adoption of SFAS No. 123, amended by SFAS No. 148, "Accounting for Stock-Based Compensation – Transition and Disclosure – an amendment of FASB Statement No. 123", and includes pro forma net loss as if the fair value based method of accounting had been applied:

	Three Months Ended April 30,	
	<u>2003</u>	<u>2002</u>
Net Loss as reported (000's)	\$(778)	\$(2,865)
Stock-based compensation expense included in reported net loss	--	--
Total stock-based compensation expense determined under fair value based method for all options (000's)	<u>(58)</u>	<u>(87)</u>
Pro forma net loss (000's)	<u>\$(836)</u>	<u>\$(2,952)</u>

	Three Months Ended April 30,	
	<u>2003</u>	<u>2002</u>
Basic Earnings Per Share:		
As reported	\$(.04)	\$(0.23)
Pro forma	\$(.05)	\$(0.24)
Diluted Earnings Per Share:		
As reported	\$(.04)	\$(0.23)
Pro forma	\$(.05)	\$(0.24)

For purposes of pro forma disclosures under SFAS 123, the estimated fair value of the options is assumed to be amortized to expense over the options' vesting period. The fair value of the options granted has been estimated at the various dates of the grants using the Black-Scholes option-pricing model with the following assumptions:

- Fair market value based on the Company's closing common stock price on the date the option is granted;
- Risk-free interest rate based on the weighted averaged U.S. treasury note rates;
- Volatility based on the historical stock price over the expected term;
- No expected dividend yield based on future dividend payment plans.

#### NOTE D – EARNINGS PER SHARE

The following table sets forth the computation of basic and diluted loss earnings per common share:

	Three Months Ended April 30,	
	<u>2003</u>	<u>2002</u>
Numerator:		
Loss available to Common Shareholders		
used in basic and diluted loss per Common Share	\$ (777,801)	\$ (2,864,644)
Denominator:		
Weighted-average number of Common Shares used in		
basic loss earnings per Common Share	17,783,092	12,462,885
Effect of diluted securities:		
Common share options (1)	--	--
Weighted-average number of Common Shares and diluted Common Shares used in diluted loss per Common Share	17,783,092	12,462,885
Basic loss Per Common Share	\$(0.04)	\$(0.23)
Diluted loss per Common Share	\$(0.04)	\$(0.23)

- 1) Common Shares subject to options are not included in the calculation of diluted loss per Common Share for the three-month period ended April 30, as doing so would be antidilutive due to the net loss per common share.



## NOTE E – SEGMENT REPORTING

The Company sells telecommunication services to three distinct segments: a retail segment, consisting primarily of small to medium size businesses, a wholesale segment, with sales to other telecommunications carriers and KISSLD which targets residential users.

In addition to direct costs, each segment is allocated a proportion of the Company's operating expenses, including utilization of its switch and facilities. The allocation of expenses is based upon the minutes of use flowing through the Company's switching network. There are no intersegment sales. When specifically identified, assets are allocated to each segment. All intangible assets and goodwill have been allocated to the retail segment. Capital expenditures and other assets are allocated based on total revenue. Management evaluates performance on operating results of the three business segments.

Summarized financial information (000's) concerning Covista's reportable segments is shown in the following table:

	<u>Retail</u>	<u>Wholesale</u>	<u>KISSLD</u>	<u>Total</u>
Three Months Ended April 30, 2003				
Net Sales	\$17,367	\$1,631	\$4,272	\$23,270
Operating profit (loss)	\$(364)	\$(388)	\$50	\$(702)
Assets	\$39,773	\$4,547	\$5,476	\$49,796
Capital expenditures	\$63	\$6	\$15	\$84
Three Months Ended April 30, 2002				
Net Sales	\$18,854	\$4,634	\$1,060	\$24,548
Operating profit (loss)	\$(2,048)	\$(504)	\$(115)	\$(2,667)
Assets	\$44,393	\$7,618	\$1,742	\$53,753
Capital expenditures	\$327	\$80	\$18	\$425

## NOTE F – INCOME TAXES

For the fiscal year ended January 31, 2003, Covista established a valuation allowance against its net deferred tax asset due to the uncertainty of realizing certain tax credits and loss carryforwards. In the quarter ended April 30, 2003, Covista continued this accounting treatment and recorded a full valuation allowance against the net tax benefit arising from the quarter's net operating loss. The result is that the net deferred tax asset of approximately \$3,579,000 is fully offset by the valuation allowance and as such, does not appear as an asset on the balance sheet. It will be reflected in the Company's balance sheet when the net deferred tax asset can be utilized in future periods or when managements' assessment is substantially changed.

## **NOTE G – ACQUISITION OF CAPSULE COMMUNICATIONS**

On February 8, 2002, Covista completed the acquisition of Capsule Communications, Inc., through the issuance of 1,742,320 shares of Common Stock and the assumption of certain liabilities and stock options. As a result, Capsule became a wholly owned subsidiary of Covista. The Company has accounted for the combination with Capsule as a purchase business combination under SFAS 141 (“Business Combination”).

The results of Capsule's operations have been included in the Company's Consolidated Statement of Loss and Comprehensive Loss since the date of merger. The total purchase price, including certain direct costs, was approximately \$12,972,000 plus assumed liabilities of approximately \$10,057,000. Included in the purchase, the Company assumed options from Capsule for the purchase of 286,975 shares of Common Stock valued at approximately \$1.1 million using the Black-Scholes Valuation Model, using an exercise price of \$3.49 to \$20.10, expected lives of 0.5 to 2 years, 156% volatility, 2.69% discount rate, and a Company stock price of \$6.71. In addition, the Company incurred approximately \$0.3 million in acquisition expenses.

The identifiable intangible assets acquired from Capsule were classified as its business customer relationships valued at \$1,288,000, its residential customer relationships valued at \$376,000, and its agent relationships valued at \$2,526,000. These intangibles are being amortized using the straight-line method over a weighted average period of 40 months. Goodwill and intangible assets acquired are not deductible for tax purposes.

## **NOTE H – LONG TERM DEBT**

The Company had a revolving \$2,000,000 credit facility with Wells Fargo Business Credit Corporation. Interest on the revolving credit facility was calculated at the prime lending rate plus 2 3/4%, on a minimum loan balance of \$750,000. The loan was collateralized by accounts receivable and fixed and intangible assets of the Company. This facility was terminated and paid in full with proceeds from a new credit facility, effective April 16, 2003

Effective April 16, 2003, Covista executed a revolving credit and security agreement with Capital Source Finance, LLC. This credit facility provides the Company with an \$8 million loan of which approximately \$4,439,000 was available at April 30, 2003, based on eligible accounts receivable. An additional \$1 million becomes available upon Covista maintaining twelve consecutive months of positive cash flow as defined in the agreement. This thirty-six month facility allows the Company to borrow funds based on a portion of eligible customer accounts receivable and bears interest at the Prime Rate plus 2.00% with a floor of 6.25%. Interest, unused line and collateral management fees are payable monthly in arrears. Covista is required to maintain certain covenants that include cash velocity and fixed charge coverage ratios as defined in the agreement. The loan is secured by all of the Company's assets. Initial loan proceeds were used to payoff the Wells Fargo facility in full. The loan balance at April 30, 2003 was \$3,351,080 and is included in current portion of long-term debt.

On June 17, 2002, Covista entered into a term loan agreement with a major bank. The initial principal amount of this note was \$3,775,000, payable in 36 monthly installments at a fixed interest rate of 4.495% for the first year and converting to 2% over LIBOR on June 17, 2003 and thereafter. This note is secured by certain of the Company's switching equipment and certificates of deposit provided by Covista's Chairman of the Board. The balance on this facility was \$2,765,003 at April 30, 2003 of which \$1,268,828 is classified as current.

#### **NOTE I – COMMITMENTS AND CONTINGENCIES**

The Company is involved in various legal and administrative actions arising in the normal course of business. While the resolution of any such actions may have an impact on the financial results for the period in which it is resolved, management believes that the ultimate disposition of these matters will not have a material adverse effect upon its consolidated results of operations, cash flows or financial position.

**ITEM 2**  
**COVISTA COMMUNICATIONS, INC. AND SUBSIDIARIES**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND**  
**RESULT OF OPERATIONS**

**SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS:**

Certain matters discussed in this Quarterly Report on Form 10-Q are "forward-looking statements" intended to qualify for the safe harbor from liability provided by the Private Securities Litigation Reform Act of 1995. These forward-looking statements generally can be identified as such because the context of the statement will include words such as Covista "believes", "anticipates", "expects", or words of similar import. Similarly, statements, which describe Covista's future plans, objectives or goals, are also forward-looking statements. Such forward-looking statements are subject to certain risks and uncertainties, which are described in, close proximity to such statements and which could cause actual results to differ materially from those anticipated as of the date of this Report. Shareholders, potential investors and other readers are urged to consider these factors in evaluating the forward-looking statements and are cautioned not to place undue reliance upon such forward-looking statements. The forward-looking statements included herein are made only as of the date of this Report and Covista undertakes no obligation to publicly update such forward-looking statements to reflect subsequent events or circumstances, except as required under applicable laws.

Results of Operations

Net sales were approximately \$23,270,000 for the first three months of the current fiscal year, a decrease of approximately \$1,278,000 or 5.2% as compared to the approximately \$24,548,000 recorded in the first three months of the prior fiscal year.

For the quarter ended April 30, 2003, retail revenues were approximately \$17,367,000, a decrease of approximately \$1,487,000 or 7.9% versus the comparative quarter in the last fiscal year. Retail minutes sold in the three-month period ended April 30, 2003 were approximately 252,093,000 minutes, a decrease of approximately 6,615,000 minutes or 2.5%. The overall blended retail rate per minute decreased to \$.069 versus \$.073 from the first quarter of the previous year. Management expects to experience continued rate per minute erosion due to competition in the retail segment.

For the quarter ended April 30, 2003, KISSLD revenues were approximately \$4,272,000, an increase of approximately \$3,212,000 or 303% versus the first quarter from the prior fiscal year. KISSLD minutes sold for the three-month period ended April 30, 2003 were approximately 75,155,000, an increase of approximately 57,367,000 or 323%. The overall blended rate per minute was \$.057 versus \$.06 from the first quarter of the previous year.

The Company has continued to successfully reduce reliance on lower margin wholesale revenue. For the quarter ended April 30, 2003, wholesale revenue was approximately \$1,631,000, a decrease of approximately \$3,003,000 or 64.8% versus the comparative quarter in the last fiscal year. Wholesale minutes sold in the three-month period ended April 30, 2003 were approximately 16,212,000 minutes, a decrease of approximately 49,938,000 minutes or 75.5%.

Cost of revenue for the current three-month period was approximately \$13,288,000, a decrease of approximately \$4,385,000 or 24.8%. These changes were favorable in relation to the 5.2% decrease in revenue for the three-month period. The decrease in cost of revenue was primarily due to an overall decrease in lower margin wholesale minute volume of approximately \$2,702,000 in addition to credits from vendors for previously disputed charges and the realization of network cost savings initiatives of approximately \$1,682,000.

For the quarter ended April 30, 2003, selling, general and administrative expense, excluding depreciation and amortization was approximately \$9,116,000, an increase of approximately \$816,000 or 9.8% over the comparative quarter in the last fiscal year. The increase was primarily due to an increase in agent commission expense of approximately \$447,000 as a result of higher residual payout rates, an increase in bad debt expense of approximately \$494,000 and an increase in bank credit card charges of approximately \$323,000 as a result of greater KISSLD volume whereby the majority of customers pay via credit card. These increases were partially offset by reductions in payroll, building rent and other miscellaneous decreases of approximately \$448,000 as a result of more efficient use of human and building resources.

For the reasons described above, the operating loss for the three-month period ended April 30, 2003 was approximately \$702,000, a decrease of approximately \$1,965,000 from the three-month period ended April 30, 2002.

Basic and diluted loss per Common Share was \$(.04) per share for the current three-month period ended April 30, 2003 as compared to \$(.23) loss per share for the three-months ended April 30, 2002.

#### Liquidity and Capital Resources

At April 30, 2003, Covista had a working capital deficit of approximately \$9,107,000, an improvement of approximately \$429,000 as compared to January 31, 2003. The ratio of current assets to current liabilities at April 30, 2003 was .69:1, as compared to the ratio of .67:1 at January 31, 2003. The improvement in the working capital deficit at April 30, 2003 was primarily attributable to; a net increase in current assets of approximately \$263,000. These increases in current assets were supplemented by a decrease in current liabilities of approximately \$166,000.

The increase in cash of approximately \$729,000 was the result primarily of net proceeds from bank borrowings of approximately \$1,232,000. This increase was offset by cash used in operations of approximately \$293,000 and cash used in investing activities of approximately \$210,000.

#### Capital Expenditures

Capital expenditures for the three-month period ended April 30, 2003 were approximately \$84,000. Capital expenditures for the remainder of Fiscal 2003 are estimated at approximately \$1,500,000 and are expected to be funded from operations.

### Prepaid Network Capacity

In July 2002, Covista purchased 2.8 billion DS-0 channel miles of telecommunications network capacity from an unaffiliated party. The unaffiliated party has filed for Chapter 11 reorganization; however, as of the date of this report, is continuing to perform under the agreement and therefore, management does not believe that this asset is impaired. However, management was unable to determine if this carriers' bankruptcy filing would impact the carrier's ability to fulfill it's obligation to Covista under the prepaid network capacity agreement.

As of the date hereof, Covista has used approximately 152 million DS-0 channel miles of telecommunications network capacity against the 2.8 billion DS-0 total prepaid network capacity, of which \$400,000 has been classified as a current asset and based on anticipated usage in the next 12 months the remainder of the prepaid capacity amount of approximately \$2,867,000 is included in intangible assets.

### Accounts Receivable and Credit Risk

Accounts receivable subjects Covista to the potential for credit risk with customers in the retail and wholesale segments. To reduce credit risk, Covista performs ongoing evaluations of its customers' financial condition and, except in situations where the risk warrants it, Covista does not require a deposit or other collateral. Accounts receivable of approximately \$16,909,000, net of the reserve for uncollectible accounts totaling approximately \$1,864,000, represents approximately 30.2% of the total assets of Covista.

No one customer accounts for greater than eight percent of the total revenues. In the wholesale segment, which contains Covista's largest customers, Covista has been able to reduce credit risk by using reciprocal arrangements with certain customers, which are also Covista's suppliers, to offset outstanding receivables. Covista has historically maintained a better than three percent ratio of bad debts to revenues. For the three-month period ended April 30, 2003, this ratio was approximately 2.7%. Covista also measures accounts receivable turnover (as measured in days sales outstanding). For the periods ended April 30, 2003 and 2002, days sales outstanding were 52.5 days and 58.5 days, respectively.

### Related Party Transactions

Jay J. Miller, a Director of Covista, has provided various legal services for Covista in Fiscal 2004. In the first quarter, Covista accrued \$8,700 to Mr. Miller for services rendered. As of April 30, 2003, Covista owed Mr. Miller \$49,785.

Leon Genet, a Director of Covista, has provided agent services for Covista through his wholly owned Registrant, LPJ, Inc. During the first quarter, Fiscal 2004, LPJ, Inc. was paid commissions of \$18,271. The commissions paid to LPJ, Inc. were computed on the same basis as other independent agents retained by Covista.

## CRITICAL ACCOUNTING POLICIES

### Nature of Operations

Covista Communications, Inc. ("Covista"), and its wholly-owned subsidiaries (collectively, the "Company") operates as a switch based resale common carrier providing domestic and international long distance telecommunications service to customers throughout the United States. Prior to the Capsule acquisition, the Company's principal customers were primarily businesses and other common carriers. On September 15, 2000, the Company changed its name from Total-Tel USA Communications, Inc. to Covista Communications, Inc. On February 8, 2002, Covista completed the acquisition of Capsule Communications, Inc. As a result, Capsule became a wholly owned subsidiary of Covista. Capsule is a switch-based interexchange carrier providing long distance telephone communications services primarily to small and medium-size business customers as well as residential accounts. The results of Capsule's operations have been included in the Company's statement of operations since the acquisition date.

### Revenue Recognition

Covista's revenues, net of sales discounts, are recognized in the period in which the service is provided, based on the number of minutes of telecommunications traffic carried, and a rate per minute. Access and other service fees charged to customers, typically monthly, are recognized in the period in which service is provided.

### Property and Equipment

Property and equipment are stated at cost. Depreciation and amortization is being provided by use of the straight-line method over the estimated useful lives of the related assets. Leasehold improvements are amortized over the shorter of the term of the lease or the useful lives of the asset.

The estimated useful lives of the principal classes of assets are as follows:

<u>Classification</u>	<u>Years</u>
Machinery and equipment	5-10
Office furniture, fixtures and equipment	5-10
Vehicles	3-5
Leasehold improvements	2-10
Computer equipment and software	5-7

### Deferred Line Installation Costs

Deferred line installation costs are costs incurred by Covista for new facilities and costs incurred for connections from within the Covista's network to the network of other telecommunication suppliers (such as Verizon, MFS and other carriers). Amortization of such line installation costs is provided using the straight-line method over the contract life of the lines ranging from three to five years.

### Intangible Assets

Intangible assets consist of prepaid network capacity and purchased customer and agent relationships being amortized over a straight-line basis over periods varying between 10 and 120 months.

### Goodwill

Goodwill consists of the excess purchase price over the fair value of identifiable net assets of acquired businesses. Goodwill added subsequent to January 1, 2002 is not being amortized in accordance to SFAS 142. The carrying value of goodwill is evaluated for impairment on an annual basis. Management also reviews goodwill for impairment whenever events or changes in circumstances indicate that the carrying amount of goodwill may be impaired.

### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

### Vendor Disputes

In the normal course of business Covista will file disputes with its service suppliers. The Covista accounting policy is to record the invoiced amount to cost of revenue which may include disputed amounts. When the dispute is resolved and the credit is received, the amount is credited to cost of revenue. Open disputes included accounts payable and accrued liabilities at April 30, 2003 total approximately \$5.3 million.

### Concentrations of Credit Risk

The Company sells its telecommunications services and products primarily to small to medium size businesses, residential and wholesale customers. The Company performs ongoing credit evaluations of both its retail and wholesale customers. The Company generally does not require collateral, however when circumstances warrant, deposits are required. Recent conditions in the telecommunications industry have given rise to an increase in potential doubtful accounts. Allowances are maintained for such potential credit losses. The Company has entered into offset arrangements with certain of its customers, who are also vendors, allowing for the ability to offset receivables against the Company's payables balance.



### Market Risk

Market risk represents the risk of changes in value of a financial instrument, derivative or non-derivative, caused by fluctuations in interest rates, foreign exchange rates and equity prices. As Covista holds no marketable securities at April 30, 2003, the exposure to interest rate risk relating to marketable securities no longer exists. Covista does not hold any derivatives related to its interest rate exposure. Covista also maintains long-term debt at fixed rates. Due to the nature and amounts of Covista's note payable, an immediate 10% change in interest rates would not have a material effect in Covista's results of operations over the next fiscal year. Covista's exposure to adverse changes in foreign exchange rates is also immaterial to the consolidated statements as a whole.

### Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents consist of cash on hand, demand deposits and money market accounts.

**COVISTA COMMUNICATIONS, INC. AND SUBSIDIARIES**

**PART II - OTHER INFORMATION**

ITEMS 1 – 5 Not applicable

ITEM 6 Exhibits and Reports on Form 8K – None

I, A. John Leach, Jr., certify that;

- 1) I have reviewed this quarterly report on Form 10-Q of Covista;
- 2) Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
- 3) Based on my knowledge, the financial statements, and other financial information included in quarterly annual report, fairly present in all material respects the financial condition, results of operations and cash flows of Covista as of, and for, the periods presented in this annual report;
- 4) Covista's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for Covista are have;
  - a) Designed such disclosure controls and procedures to ensure that material information relating to Covista, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
  - b) Evaluated the effectiveness Covista's disclosure controls and procedures as of a date with 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
  - c) Presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
- 5) Covista's other certifying officers and I have disclosed, based on our most recent evaluation, to Covista's auditors and the audit committee of Covista's board of directors (or persons performing the equivalent functions);
  - a) All significant deficiencies in the design or operation of internal controls which could adversely affect Covista's ability to record, process, summarize, and report financial data, and I have identified for Covista's auditors any material weaknesses in internal controls; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in Covista's internal controls; and
- 6) Covista's other certifying officers and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: June 13, 2003

By: /s/ A. John Leach, Jr.  
A. John Leach, Jr.  
President and Chief Executive Officer

I, Thomas P. Gunning., certify that;

- 1) I have reviewed this quarterly report on Form 10-Q of Covista;
- 2) Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
- 3) Based on my knowledge, the financial statements, and other financial information included in quarterly annual report, fairly present in all material respects the financial condition, results of operations and cash flows of Covista as of, and for, the periods presented in this annual report;
- 4) Covista's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for Covista are have;
  - a) Designed such disclosure controls and procedures to ensure that material information relating to Covista, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
  - b) Evaluated the effectiveness Covista's disclosure controls and procedures as of a date with 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
  - c) Presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
- 5) Covista's other certifying officers and I have disclosed, based on our most recent evaluation, to Covista's auditors and the audit committee of Covista's board of directors (or persons performing the equivalent functions);
  - a) All significant deficiencies in the design or operation of internal controls which could adversely affect Covista's ability to record, process, summarize, and report financial data, and I have identified for Covista's auditors any material weaknesses in internal controls; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in Covista's internal controls; and
- 6) Covista's other certifying officers and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: June 13, 2003

By: /s/ Thomas P. Gunning  
Thomas P. Gunning,  
Vice President, Chief Financial Officer and  
Principal Accounting Officer

CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Covista Communications, Inc. on Form 10-Q for the period ending April 30, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, A. John Leach, Jr., President and CEO of Covista Communications, Inc., certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that;

- 1) The report fully complies with the requirements of section 13 (a) or 15 (d) of the Securities Exchange Act of 1934; and
- 2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of Covista Communications, Inc.

Date: June 13, 2003

By: /s/ A. John Leach, Jr.  
A. John Leach, Jr.  
President and Chief Executive Officer

CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Covista Communications, Inc. on Form 10-Q for the period ending April 30, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Thomas P. Gunning, CFO of Covista Communications, Inc., certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that;

- 1) The report fully complies with the requirements of section 13 (a) or 15 (d) of the Securities Exchange Act of 1934; and
- 2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of Covista Communications, Inc.

Date: June 13, 2003

By: /s/ Thomas P. Gunning  
Thomas P. Gunning,  
Vice President, Chief Financial  
Officer and Principal Accounting Officer

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

COVISTA COMMUNICATIONS, INC.  
(Registrant)

Date: June 13, 2003

By: /s/ A. John Leach, Jr.  
A. John Leach, Jr.  
President and Chief Executive Officer

Date: June 13, 2003

By: /s/ Thomas P. Gunning  
Vice President, Chief Financial  
Officer and Principal Accounting Officer

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

**FORM 10-Q**

(Mark one)

- ☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended: April 30, 2003

OR

- ☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 0-2180

**COVISTA COMMUNICATIONS, INC.**  
(Exact name of registrant as specified in its charter)

New Jersey  
(State or other Jurisdiction of  
incorporation or organization)

22-1656895  
(I.R.S. Employer  
Identification No.)

**721 Broad Street, Suite 200 Chattanooga, TN 37402**  
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (423) 648-9700

4803 Highway 58 North, Chattanooga, TN 37416  
(Former address of principal executive offices) (Zip Code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class  
Common Share, \$.05 par value

Outstanding at June 1, 2003  
17,783,092 shares



**COVISTA COMMUNICATIONS, INC.**  
**AND SUBSIDIARIES**  
**SECOND QUARTER REPORT ON FORM 10-Q**

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**COVISTA COMMUNICATIONS, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND**  
**COMPREHENSIVE LOSS**  
(Unaudited)

	Three Months Ended April 30,	
	<u>2003</u>	<u>2002</u>
<b>NET REVENUE</b>	<u>\$23,269,857</u>	<u>\$24,548,143</u>
Costs and Expenses		
Cost of revenue	13,288,202	17,673,366
Selling, general and administrative	9,116,437	8,300,497
Depreciation and amortization	1,567,096	1,229,294
Other compensation	--	12,011
Total costs and expenses	<u>23,971,735</u>	<u>27,215,168</u>
<b>OPERATING LOSS</b>	<u>(701,878)</u>	<u>(2,667,025)</u>
Other Income (Expense)		
Interest income	4,909	1,617
Other	372	(85,675)
Interest expense	(81,204)	(113,562)
Total other income (expense)	<u>(75,923)</u>	<u>(197,620)</u>
Loss before income taxes	(777,801)	(2,864,644)
Income taxes	--	--
<b>NET LOSS</b>	<u>(777,801)</u>	<u>(2,864,644)</u>
<b>BASIC LOSS PER COMMON SHARE</b>	<u>\$ (0.04)</u>	<u>\$(0.23)</u>
<b>DILUTED LOSS PER COMMON SHARE</b>	<u>\$ (0.04)</u>	<u>\$(0.23)</u>

See notes to condensed consolidated financial statements.

**COVISTA COMMUNICATIONS, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**

	<u>April 30, 2003</u>	<u>January 31, 2003</u>
	(Unaudited)	
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$4,173,194	\$3,444,307
Accounts receivable, net	15,045,639	15,716,015
Prepaid expenses and other current assets	831,169	626,574
<b>TOTAL CURRENT ASSETS</b>	<u>20,050,002</u>	<u>19,786,896</u>
<b>PROPERTY AND EQUIPMENT, NET</b>	<u>14,221,252</u>	<u>15,150,416</u>
<b>OTHER ASSETS:</b>		
Deferred line installation costs, net	564,670	473,688
Intangible assets, net	6,268,233	6,786,967
Goodwill	8,205,850	8,205,850
Other assets	486,275	646,581
<b>TOTAL OTHER ASSETS</b>	<u>15,525,028</u>	<u>16,113,086</u>
<b>TOTAL ASSETS</b>	<u>\$49,796,282</u>	<u>\$51,050,398</u>

See notes to condensed consolidated financial statements.

**COVISTA COMMUNICATIONS, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**

	<u>April 30, 2003</u>	<u>January 31, 2003</u>
	(Unaudited)	
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Current portion of long-term debt	\$4,374,669	\$2,827,999
Accounts payable	12,776,025	15,073,691
Other current and accrued liabilities	11,470,908	11,024,151
Salaries and wages payable	535,119	397,430
<b>TOTAL CURRENT LIABILITIES</b>	<u>\$29,156,721</u>	<u>29,323,271</u>
<b>OTHER LONG-TERM LIABILITIES</b>	<u>228,253</u>	<u>223,434</u>
<b>LONG-TERM DEBT</b>	<u>1,496,175</u>	<u>1,810,759</u>
<b>TOTAL LIABILITIES</b>	<u>30,881,149</u>	<u>31,357,464</u>
<b>SHAREHOLDERS' EQUITY:</b>		
Common Stock	965,976	965,976
Additional paid-in-capital	52,834,984	52,834,984
Accumulated deficit	(33,440,387)	(32,662,586)
Treasury stock	(1,445,440)	(1,445,440)
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<u>18,915,133</u>	<u>19,692,934</u>
	<u>\$49,796,282</u>	<u>\$51,050,398</u>

See notes to condensed consolidated financial statements.

**COVISTA COMMUNICATIONS, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(Unaudited)**

	Three Months Ended April 30,	
	<u>2003</u>	<u>2002</u>
<b>OPERATING ACTIVITIES:</b>		
Net loss	\$(777,801)	\$(2,864,644)
Adjustment for non-cash charges	2,191,494	2,031,156
Changes in assets and liabilities, net of effect of acquisition of business	(1,706,712)	(1,264,737)
Net cash used in by operating activities	<u>(293,019)</u>	<u>(2,098,225)</u>
<b>INVESTING ACTIVITIES:</b>		
Cash acquired in purchase of business		1,179,172
Proceeds on sale of marketable securities	--	439,773
Purchase of property and equipment	(83,620)	(425,071)
Additions to deferred line installation cost	(126,560)	(19,248)
Net cash provided used in investing activities	<u>(210,180)</u>	<u>1,174,626</u>
<b>FINANCING ACTIVITIES:</b>		
Sale of Common Stock	--	174,140
Bank Borrowing – net of repayment	1,232,086	42,506
Note payable to related party	--	2,600,000
Net cash provided by financing activities	<u>1,232,086</u>	<u>2,816,646</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<u>728,887</u>	<u>1,893,047</u>
 <b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	 <u>3,444,307</u>	 <u>1,379,038</u>
 <b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	 <u>\$4,173,194</u>	 <u>\$3,272,085</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>		
Cash paid (received) during the period for:		
Interest	\$64,001	\$6,295
<b>Business Acquired</b>		
Fair Value of Assets	--	\$21,524,458
Less Liability Assumed	--	(10,056,503)
Less: Stock Consideration for business acquired	--	(12,647,127)
Cash acquired from business acquired	--	(1,179,172)

See notes to condensed consolidated financial statements

## COVISTA COMMUNICATIONS, INC. AND SUBSIDIARIES

### NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

#### NOTE A – BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. They do not include all information and notes required by generally accepted accounting principles for complete financial statements. However, except as disclosed herein, there has been no material change in the information disclosed in the notes to the consolidated financial statements included in the Annual Report on Form 10-K of Covista Communications, Inc. and Subsidiaries (Covista) for the fiscal year ended January 31, 2003. In the opinion of management, all adjustments (consisting of normal recurring accruals only) considered necessary for a fair presentation have been included. Operating results for the three-month period ended April 30, 2003 are not necessarily indicative of the results that may be expected for the year ending January 31, 2004. Certain reclassifications have been made to conform prior years' balances to the current year presentation.

#### Revenue Recognition

The Company's revenues, net of sales discounts, are recognized in the period in which the service is provided, based on the number of minutes of telecommunications traffic carried, and a rate per minute. Access and other service fees charged to customers, typically monthly, are recognized in the period in which service is provided.

#### Deferred Line Installation Costs

The Company defers charges from other common carriers related to the cost of installing telephone transmission facilities (lines). Amortization of these costs is provided using the straight-line method over the related contract life of the lines ranging from three to five years.

#### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

## Concentrations of Credit Risk

The Company sells its telecommunications services and products primarily to small to medium size businesses, residential and wholesale customers. The Company performs ongoing credit evaluations of both its retail and wholesale customers. The Company generally does not require collateral, however when circumstances warrant, deposits are required. Recent conditions in the telecommunications industry have given rise to an increase in potential doubtful accounts. Allowances are maintained for such potential credit losses. The Company has entered into offset arrangements with certain of its customers, who are also vendors, allowing for the ability to offset receivables against the Company's payable balance.

## **NOTE B – NEW ACCOUNTING PRONOUNCEMENTS**

In November 2002, the FASB issued FASB Interpretation No. 45 ("FIN 45"), "Guarantees," an interpretation of FASB Statement No. 5, "Accounting for Contingencies." This interpretation elaborates on the disclosures to be made by a guarantor in its interim and annual financial statements about its obligations under certain guarantees that it has issued. Covista has adopted FIN 45 and there has not been a material impact on its financial position or results of operations.

In January 2003, FASB issued FASB Interpretation No. 46, Consolidation of Variable Interest Entities ("FIN 46"). FIN 46 requires a variable interest entity to be consolidated by a company if that company is subject to a majority of the risk of loss from the variable interest entity's activities or entitled to receive a majority of the entity's residual returns or both. FIN 46 also requires disclosures about variable interest entities that a company is not required to consolidate but in which it has a significant variable interest. Covista has adopted FIN 46 and there has not been a material impact on its financial position or results of operations.

## **NOTE C – STOCK BASED COMPENSATION**

The following disclosure complies with the adoption of SFAS No. 123, amended by SFAS No. 148, "Accounting for Stock-Based Compensation – Transition and Disclosure – an amendment of FASB Statement No. 123", and includes pro forma net loss as if the fair value based method of accounting had been applied:

	Three Months Ended April 30,	
	<u>2003</u>	<u>2002</u>
Net Loss as reported (000's)	\$(778)	\$(2,865)
Stock-based compensation expense included in reported net loss	--	--
Total stock-based compensation expense determined under fair value based method for all options (000's)	(58)	(87)
Pro forma net loss (000's)	<u>\$(836)</u>	<u>\$(2,952)</u>

	Three Months Ended April 30,	
	<u>2003</u>	<u>2002</u>
Basic Earnings Per Share:		
As reported	\$(.04)	\$(0.23)
Pro forma	\$(.05)	\$(0.24)
Diluted Earnings Per Share:		
As reported	\$(.04)	\$(0.23)
Pro forma	\$(.05)	\$(0.24)

For purposes of pro forma disclosures under SFAS 123, the estimated fair value of the options is assumed to be amortized to expense over the options' vesting period. The fair value of the options granted has been estimated at the various dates of the grants using the Black-Scholes option-pricing model with the following assumptions:

- Fair market value based on the Company's closing common stock price on the date the option is granted;
- Risk-free interest rate based on the weighted averaged U.S. treasury note rates;
- Volatility based on the historical stock price over the expected term;
- No expected dividend yield based on future dividend payment plans.

#### NOTE D – EARNINGS PER SHARE

The following table sets forth the computation of basic and diluted loss earnings per common share:

	Three Months Ended April 30,	
	<u>2003</u>	<u>2002</u>
Numerator:		
Loss available to Common Shareholders		
used in basic and diluted loss per Common Share	\$(777,801)	\$(2,864,644)
Denominator:		
Weighted-average number of Common Shares used in		
basic loss earnings per Common Share	17,783,092	12,462,885
Effect of diluted securities:		
Common share options (1)	--	--
Weighted-average number of Common Shares and diluted		
Common Shares used in diluted loss per Common Share	17,783,092	12,462,885
Basic loss Per Common Share	\$(0.04)	\$(0.23)
Diluted loss per Common Share	\$(0.04)	\$(0.23)

- 1) Common Shares subject to options are not included in the calculation of diluted loss per Common Share for the three-month period ended April 30, as doing so would be antidilutive due to the net loss per common share.



## NOTE E – SEGMENT REPORTING

The Company sells telecommunication services to three distinct segments: a retail segment, consisting primarily of small to medium size businesses, a wholesale segment, with sales to other telecommunications carriers and KISSLD which targets residential users.

In addition to direct costs, each segment is allocated a proportion of the Company's operating expenses, including utilization of its switch and facilities. The allocation of expenses is based upon the minutes of use flowing through the Company's switching network. There are no intersegment sales. When specifically identified, assets are allocated to each segment. All intangible assets and goodwill have been allocated to the retail segment. Capital expenditures and other assets are allocated based on total revenue. Management evaluates performance on operating results of the three business segments.

Summarized financial information (000's) concerning Covista's reportable segments is shown in the following table:

	<u>Retail</u>	<u>Wholesale</u>	<u>KISSLD</u>	<u>Total</u>
Three Months Ended April 30, 2003				
Net Sales	\$17,367	\$1,631	\$4,272	\$23,270
Operating profit (loss)	\$(364)	\$(388)	\$50	\$(702)
Assets	\$39,773	\$4,547	\$5,476	\$49,796
Capital expenditures	\$63	\$6	\$15	\$84
Three Months Ended April 30, 2002				
Net Sales	\$18,854	\$4,634	\$1,060	\$24,548
Operating profit (loss)	\$(2,048)	\$(504)	\$(115)	\$(2,667)
Assets	\$44,393	\$7,618	\$1,742	\$53,753
Capital expenditures	\$327	\$80	\$18	\$425

## NOTE F – INCOME TAXES

For the fiscal year ended January 31, 2003, Covista established a valuation allowance against its net deferred tax asset due to the uncertainty of realizing certain tax credits and loss carryforwards. In the quarter ended April 30, 2003, Covista continued this accounting treatment and recorded a full valuation allowance against the net tax benefit arising from the quarter's net operating loss. The result is that the net deferred tax asset of approximately \$3,579,000 is fully offset by the valuation allowance and as such, does not appear as an asset on the balance sheet. It will be reflected in the Company's balance sheet when the net deferred tax asset can be utilized in future periods or when managements' assessment is substantially changed.

## **NOTE G – ACQUISITION OF CAPSULE COMMUNICATIONS**

On February 8, 2002, Covista completed the acquisition of Capsule Communications, Inc., through the issuance of 1,742,320 shares of Common Stock and the assumption of certain liabilities and stock options. As a result, Capsule became a wholly owned subsidiary of Covista. The Company has accounted for the combination with Capsule as a purchase business combination under SFAS 141 (“Business Combination”).

The results of Capsule's operations have been included in the Company's Consolidated Statement of Loss and Comprehensive Loss since the date of merger. The total purchase price, including certain direct costs, was approximately \$12,972,000 plus assumed liabilities of approximately \$10,057,000. Included in the purchase, the Company assumed options from Capsule for the purchase of 286,975 shares of Common Stock valued at approximately \$1.1 million using the Black-Scholes Valuation Model, using an exercise price of \$3.49 to \$20.10, expected lives of 0.5 to 2 years, 156% volatility, 2.69% discount rate, and a Company stock price of \$6.71. In addition, the Company incurred approximately \$0.3 million in acquisition expenses.

The identifiable intangible assets acquired from Capsule were classified as its business customer relationships valued at \$1,288,000, its residential customer relationships valued at \$376,000, and its agent relationships valued at \$2,526,000. These intangibles are being amortized using the straight-line method over a weighted average period of 40 months. Goodwill and intangible assets acquired are not deductible for tax purposes.

## **NOTE H – LONG TERM DEBT**

The Company had a revolving \$2,000,000 credit facility with Wells Fargo Business Credit Corporation. Interest on the revolving credit facility was calculated at the prime lending rate plus 2 3/4%, on a minimum loan balance of \$750,000. The loan was collateralized by accounts receivable and fixed and intangible assets of the Company. This facility was terminated and paid in full with proceeds from a new credit facility, effective April 16, 2003.

Effective April 16, 2003, Covista executed a revolving credit and security agreement with Capital Source Finance, LLC. This credit facility provides the Company with an \$8 million loan of which approximately \$4,439,000 was available at April 30, 2003, based on eligible accounts receivable. An additional \$1 million becomes available upon Covista maintaining twelve consecutive months of positive cash flow as defined in the agreement. This thirty-six month facility allows the Company to borrow funds based on a portion of eligible customer accounts receivable and bears interest at the Prime Rate plus 2.00% with a floor of 6.25%. Interest, unused line and collateral management fees are payable monthly in arrears. Covista is required to maintain certain covenants that include cash velocity and fixed charge coverage ratios as defined in the agreement. The loan is secured by all of the Company's assets. Initial loan proceeds were used to payoff the Wells Fargo facility in full. The loan balance at April 30, 2003 was \$3,351,080 and is included in current portion of long-term debt.

On June 17, 2002, Covista entered into a term loan agreement with a major bank. The initial principal amount of this note was \$3,775,000, payable in 36 monthly installments at a fixed interest rate of 4.495% for the first year and converting to 2% over LIBOR on June 17, 2003 and thereafter. This note is secured by certain of the Company's switching equipment and certificates of deposit provided by Covista's Chairman of the Board. The balance on this facility was \$2,765,003 at April 30, 2003 of which \$1,268,828 is classified as current.

#### **NOTE I – COMMITMENTS AND CONTINGENCIES**

The Company is involved in various legal and administrative actions arising in the normal course of business. While the resolution of any such actions may have an impact on the financial results for the period in which it is resolved, management believes that the ultimate disposition of these matters will not have a material adverse effect upon its consolidated results of operations, cash flows or financial position.

**ITEM 2**  
**COVISTA COMMUNICATIONS, INC. AND SUBSIDIARIES**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND**  
**RESULT OF OPERATIONS**

**SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS:**

Certain matters discussed in this Quarterly Report on Form 10-Q are "forward-looking statements" intended to qualify for the safe harbor from liability provided by the Private Securities Litigation Reform Act of 1995. These forward-looking statements generally can be identified as such because the context of the statement will include words such as Covista "believes", "anticipates", "expects", or words of similar import. Similarly, statements, which describe Covista's future plans, objectives or goals, are also forward-looking statements. Such forward-looking statements are subject to certain risks and uncertainties, which are described in, close proximity to such statements and which could cause actual results to differ materially from those anticipated as of the date of this Report. Shareholders, potential investors and other readers are urged to consider these factors in evaluating the forward-looking statements and are cautioned not to place undue reliance upon such forward-looking statements. The forward-looking statements included herein are made only as of the date of this Report and Covista undertakes no obligation to publicly update such forward-looking statements to reflect subsequent events or circumstances, except as required under applicable laws.

Results of Operations

Net sales were approximately \$23,270,000 for the first three months of the current fiscal year, a decrease of approximately \$1,278,000 or 5.2% as compared to the approximately \$24,548,000 recorded in the first three months of the prior fiscal year.

For the quarter ended April 30, 2003, retail revenues were approximately \$17,367,000, a decrease of approximately \$1,487,000 or 7.9% versus the comparative quarter in the last fiscal year. Retail minutes sold in the three-month period ended April 30, 2003 were approximately 252,093,000 minutes, a decrease of approximately 6,615,000 minutes or 2.5%. The overall blended retail rate per minute decreased to \$.069 versus \$.073 from the first quarter of the previous year. Management expects to experience continued rate per minute erosion due to competition in the retail segment.

For the quarter ended April 30, 2003, KISSLD revenues were approximately \$4,272,000, an increase of approximately \$3,212,000 or 303% versus the first quarter from the prior fiscal year. KISSLD minutes sold for the three-month period ended April 30, 2003 were approximately 75,155,000, an increase of approximately 57,367,000 or 323%. The overall blended rate per minute was \$.057 versus \$.06 from the first quarter of the previous year.

The Company has continued to successfully reduce reliance on lower margin wholesale revenue. For the quarter ended April 30, 2003, wholesale revenue was approximately \$1,631,000, a decrease of approximately \$3,003,000 or 64.8% versus the comparative quarter in the last fiscal year. Wholesale minutes sold in the three-month period ended April 30, 2003 were approximately 16,212,000 minutes, a decrease of approximately 49,938,000 minutes or 75.5%.

Cost of revenue for the current three-month period was approximately \$13,288,000, a decrease of approximately \$4,385,000 or 24.8%. These changes were favorable in relation to the 5.2% decrease in revenue for the three-month period. The decrease in cost of revenue was primarily due to an overall decrease in lower margin wholesale minute volume of approximately \$2,702,000 in addition to credits from vendors for previously disputed charges and the realization of network cost savings initiatives of approximately \$1,682,000.

For the quarter ended April 30, 2003, selling, general and administrative expense, excluding depreciation and amortization was approximately \$9,116,000, an increase of approximately \$816,000 or 9.8% over the comparative quarter in the last fiscal year. The increase was primarily due to an increase in agent commission expense of approximately \$447,000 as a result of higher residual payout rates, an increase in bad debt expense of approximately \$494,000 and an increase in bank credit card charges of approximately \$323,000 as a result of greater KISSLD volume whereby the majority of customers pay via credit card. These increases were partially offset by reductions in payroll, building rent and other miscellaneous decreases of approximately \$448,000 as a result of more efficient use of human and building resources.

For the reasons described above, the operating loss for the three-month period ended April 30, 2003 was approximately \$702,000, a decrease of approximately \$1,965,000 from the three-month period ended April 30, 2002.

Basic and diluted loss per Common Share was \$(.04) per share for the current three-month period ended April 30, 2003 as compared to \$(.23) loss per share for the three-months ended April 30, 2002.

#### Liquidity and Capital Resources

At April 30, 2003, Covista had a working capital deficit of approximately \$9,107,000, an improvement of approximately \$429,000 as compared to January 31, 2003. The ratio of current assets to current liabilities at April 30, 2003 was .69:1, as compared to the ratio of .67:1 at January 31, 2003. The improvement in the working capital deficit at April 30, 2003 was primarily attributable to; a net increase in current assets of approximately \$263,000. These increases in current assets were supplemented by a decrease in current liabilities of approximately \$166,000.

The increase in cash of approximately \$729,000 was the result primarily of net proceeds from bank borrowings of approximately \$1,232,000. This increase was offset by cash used in operations of approximately \$293,000 and cash used in investing activities of approximately \$210,000.

#### Capital Expenditures

Capital expenditures for the three-month period ended April 30, 2003 were approximately \$84,000. Capital expenditures for the remainder of Fiscal 2003 are estimated at approximately \$1,500,000 and are expected to be funded from operations.

### Prepaid Network Capacity

In July 2002, Covista purchased 2.8 billion DS-0 channel miles of telecommunications network capacity from an unaffiliated party. The unaffiliated party has filed for Chapter 11 reorganization; however, as of the date of this report, is continuing to perform under the agreement and therefore, management does not believe that this asset is impaired. However, management was unable to determine if this carriers' bankruptcy filing would impact the carrier's ability to fulfill it's obligation to Covista under the prepaid network capacity agreement.

As of the date hereof, Covista has used approximately 152 million DS-0 channel miles of telecommunications network capacity against the 2.8 billion DS-0 total prepaid network capacity, of which \$400,000 has been classified as a current asset and based on anticipated usage in the next 12 months the remainder of the prepaid capacity amount of approximately \$2,867,000 is included in intangible assets.

### Accounts Receivable and Credit Risk

Accounts receivable subjects Covista to the potential for credit risk with customers in the retail and wholesale segments. To reduce credit risk, Covista performs ongoing evaluations of its customers' financial condition and, except in situations where the risk warrants it, Covista does not require a deposit or other collateral. Accounts receivable of approximately \$16,909,000, net of the reserve for uncollectible accounts totaling approximately \$1,864,000, represents approximately 30.2% of the total assets of Covista.

No one customer accounts for greater than eight percent of the total revenues. In the wholesale segment, which contains Covista's largest customers, Covista has been able to reduce credit risk by using reciprocal arrangements with certain customers, which are also Covista's suppliers, to offset outstanding receivables. Covista has historically maintained a better than three percent ratio of bad debts to revenues. For the three-month period ended April 30, 2003, this ratio was approximately 2.7%. Covista also measures accounts receivable turnover (as measured in days sales outstanding). For the periods ended April 30, 2003 and 2002, days sales outstanding were 52.5 days and 58.5 days, respectively.

### Related Party Transactions

Jay J. Miller, a Director of Covista, has provided various legal services for Covista in Fiscal 2004. In the first quarter, Covista accrued \$8,700 to Mr. Miller for services rendered. As of April 30, 2003, Covista owed Mr. Miller \$49,785.

Leon Genet, a Director of Covista, has provided agent services for Covista through his wholly owned Registrant, LPJ, Inc. During the first quarter, Fiscal 2004, LPJ, Inc. was paid commissions of \$18,271. The commissions paid to LPJ, Inc. were computed on the same basis as other independent agents retained by Covista.

## CRITICAL ACCOUNTING POLICIES

### Nature of Operations

Covista Communications, Inc. ("Covista"), and its wholly-owned subsidiaries (collectively, the "Company") operates as a switch based resale common carrier providing domestic and international long distance telecommunications service to customers throughout the United States. Prior to the Capsule acquisition, the Company's principal customers were primarily businesses and other common carriers. On September 15, 2000, the Company changed its name from Total-Tel USA Communications, Inc. to Covista Communications, Inc. On February 8, 2002, Covista completed the acquisition of Capsule Communications, Inc. As a result, Capsule became a wholly owned subsidiary of Covista. Capsule is a switch-based interexchange carrier providing long distance telephone communications services primarily to small and medium-size business customers as well as residential accounts. The results of Capsule's operations have been included in the Company's statement of operations since the acquisition date.

### Revenue Recognition

Covista's revenues, net of sales discounts, are recognized in the period in which the service is provided, based on the number of minutes of telecommunications traffic carried, and a rate per minute. Access and other service fees charged to customers, typically monthly, are recognized in the period in which service is provided.

### Property and Equipment

Property and equipment are stated at cost. Depreciation and amortization is being provided by use of the straight-line method over the estimated useful lives of the related assets. Leasehold improvements are amortized over the shorter of the term of the lease or the useful lives of the asset.

The estimated useful lives of the principal classes of assets are as follows:

<u>Classification</u>	<u>Years</u>
Machinery and equipment	5-10
Office furniture, fixtures and equipment	5-10
Vehicles	3-5
Leasehold improvements	2-10
Computer equipment and software	5-7

### Deferred Line Installation Costs

Deferred line installation costs are costs incurred by Covista for new facilities and costs incurred for connections from within the Covista's network to the network of other telecommunication suppliers (such as Verizon, MFS and other carriers). Amortization of such line installation costs is provided using the straight-line method over the contract life of the lines ranging from three to five years.

### Intangible Assets

Intangible assets consist of prepaid network capacity and purchased customer and agent relationships being amortized over a straight-line basis over periods varying between 10 and 120 months.

### Goodwill

Goodwill consists of the excess purchase price over the fair value of identifiable net assets of acquired businesses. Goodwill added subsequent to January 1, 2002 is not being amortized in accordance to SFAS 142. The carrying value of goodwill is evaluated for impairment on an annual basis. Management also reviews goodwill for impairment whenever events or changes in circumstances indicate that the carrying amount of goodwill may be impaired.

### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

### Vendor Disputes

In the normal course of business Covista will file disputes with its service suppliers. The Covista accounting policy is to record the invoiced amount to cost of revenue which may include disputed amounts. When the dispute is resolved and the credit is received, the amount is credited to cost of revenue. Open disputes included accounts payable and accrued liabilities at April 30, 2003 total approximately \$5.3 million.

### Concentrations of Credit Risk

The Company sells its telecommunications services and products primarily to small to medium size businesses, residential and wholesale customers. The Company performs ongoing credit evaluations of both its retail and wholesale customers. The Company generally does not require collateral, however when circumstances warrant, deposits are required. Recent conditions in the telecommunications industry have given rise to an increase in potential doubtful accounts. Allowances are maintained for such potential credit losses. The Company has entered into offset arrangements with certain of its customers, who are also vendors, allowing for the ability to offset receivables against the Company's payables balance.



### Market Risk

Market risk represents the risk of changes in value of a financial instrument, derivative or non-derivative, caused by fluctuations in interest rates, foreign exchange rates and equity prices. As Covista holds no marketable securities at April 30, 2003, the exposure to interest rate risk relating to marketable securities no longer exists. Covista does not hold any derivatives related to its interest rate exposure. Covista also maintains long-term debt at fixed rates. Due to the nature and amounts of Covista's note payable, an immediate 10% change in interest rates would not have a material effect in Covista's results of operations over the next fiscal year. Covista's exposure to adverse changes in foreign exchange rates is also immaterial to the consolidated statements as a whole.

### Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents consist of cash on hand, demand deposits and money market accounts.

**COVISTA COMMUNICATIONS, INC. AND SUBSIDIARIES**

**PART II - OTHER INFORMATION**

ITEMS 1 – 5 Not applicable

ITEM 6 Exhibits and Reports on Form 8K – None

I, A. John Leach, Jr., certify that;

- 1) I have reviewed this quarterly report on Form 10-Q of Covista;
- 2) Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
- 3) Based on my knowledge, the financial statements, and other financial information included in quarterly annual report, fairly present in all material respects the financial condition, results of operations and cash flows of Covista as of, and for, the periods presented in this annual report;
- 4) Covista's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for Covista are have;
  - a) Designed such disclosure controls and procedures to ensure that material information relating to Covista, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
  - b) Evaluated the effectiveness Covista's disclosure controls and procedures as of a date with 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
  - c) Presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
- 5) Covista's other certifying officers and I have disclosed, based on our most recent evaluation, to Covista's auditors and the audit committee of Covista's board of directors (or persons performing the equivalent functions);
  - a) All significant deficiencies in the design or operation of internal controls which could adversely affect Covista's ability to record, process, summarize, and report financial data, and I have identified for Covista's auditors any material weaknesses in internal controls; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in Covista's internal controls; and
- 6) Covista's other certifying officers and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: June 13, 2003

By: /s/ A. John Leach, Jr.

A. John Leach, Jr.

President and Chief Executive Officer

I, Thomas P. Gunning., certify that;

- 1) I have reviewed this quarterly report on Form 10-Q of Covista;
- 2) Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
- 3) Based on my knowledge, the financial statements, and other financial information included in quarterly annual report, fairly present in all material respects the financial condition, results of operations and cash flows of Covista as of, and for, the periods presented in this annual report;
- 4) Covista's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for Covista are have;
  - a) Designed such disclosure controls and procedures to ensure that material information relating to Covista, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
  - b) Evaluated the effectiveness Covista's disclosure controls and procedures as of a date with 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
  - c) Presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
- 5) Covista's other certifying officers and I have disclosed, based on our most recent evaluation, to Covista's auditors and the audit committee of Covista's board of directors (or persons performing the equivalent functions);
  - a) All significant deficiencies in the design or operation of internal controls which could adversely affect Covista's ability to record, process, summarize, and report financial data, and I have identified for Covista's auditors any material weaknesses in internal controls; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in Covista's internal controls; and
- 6) Covista's other certifying officers and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: June 13, 2003

By: /s/ Thomas P. Gunning  
Thomas P. Gunning,  
Vice President, Chief Financial Officer and  
Principal Accounting Officer

CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Covista Communications, Inc. on Form 10-Q for the period ending April 30, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, A. John Leach, Jr., President and CEO of Covista Communications, Inc., certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that;

- 1) The report fully complies with the requirements of section 13 (a) or 15 (d) of the Securities Exchange Act of 1934; and
- 2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of Covista Communications, Inc.

Date: June 13, 2003

By: /s/ A. John Leach, Jr.  
A. John Leach, Jr.  
President and Chief Executive Officer

CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Covista Communications, Inc. on Form 10-Q for the period ending April 30, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Thomas P. Gunning, CFO of Covista Communications, Inc., certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that;

- 1) The report fully complies with the requirements of section 13 (a) or 15 (d) of the Securities Exchange Act of 1934; and
- 2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of Covista Communications, Inc.

Date: June 13, 2003

By: /s/ Thomas P. Gunning  
Thomas P. Gunning,  
Vice President, Chief Financial  
Officer and Principal Accounting Officer

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

COVISTA COMMUNICATIONS, INC.  
(Registrant)

Date: June 13, 2003

By: /s/ A. John Leach, Jr.  
A. John Leach, Jr.  
President and Chief Executive Officer

Date: June 13, 2003

By: /s/ Thomas P. Gunning  
Vice President, Chief Financial  
Officer and Principal Accounting Officer

**EXHIBIT "D"**  
**BIOGRAPHY INFORMATION**



Henry G. Luken, III was elected a Director of Covista in February, 1999, and Chairman of the Board in February, 2001. Currently, he is President of Mont Lake Properties, Inc., a real estate development firm; a director of Equity Broadcasting Corp., a TV network; a director of ACNTV, a home shopping company selling through TV; Managing Agent of Henry IV LLC, an aircraft sales company. A co-founder of Telco Communications Group Inc., he served as Chief Executive Officer and Treasurer from July, 1993 to April, 1996, and Chairman from July, 1993 to October, 1997. Mr. Luken has also served as Chairman of Tel-Labs, Inc., a telecommunications billing firm ("Tel-Labs") since 1991, and as Chairman of Telco Development Group, Inc., a computer systems firm owned by Mr. Luken, since 1987, both of which entities he founded.

Walt Anderson was elected a Director of Covista in February, 1999, and as Chairman of the Board in November, 1999. He stepped down as Chairman in February, 2001. He has been Manager of Revision LLC from June 1998 to the present; President and Chairman of Entree International Ltd. (Financial Consulting Services) from July, 1997 to the present; Chairman of Capsule Communications, Inc. as of April 2001, Chairman of Teleport UK Ltd. (Satellite Communications) from May, 1996 to the present; Chairman of Espirit Telecom Group plc. (Telecom Services) from October, 1992 to November, 1998 and President and Chairman, Mid Atlantic Telecom (Telecom Services), from May, 1984 to December, 1993. Mr. Anderson is also a director of American Technology Labs (Network Equipment) and Aquarius Holdings Ltd. (Water Transport Systems),

Leon Genet has served as a Director since October, 1996. For more than the past five years, he has been a partner in Genet Realty, a commercial and industrial real estate brokerage firm. He serves as a member of the National Commerce and Industry Board for the State of Israel Bonds Organization and is a shareholder, director and officer of LPJ Communications, Inc., which has earned commissions from Covista on the same basis as other independent sales representatives. See "Certain Relationships and Related Transactions".

A. John Leach, Jr. was appointed President and Chief Executive Officer and a Director of Covista on May 18, 2000. He had been Senior Vice President of Sales at BTI Telecomm, Inc., from December, 1999 to May, 2000; Senior Vice President of Teleglobe, Inc. from June, 1996 to December, 1999, where he assumed responsibility for US and Canadian commercial sales markets. He was promoted to this position from Senior Vice President of Wholesale and Agent Markets, Telco Communications (a subsidiary of Teleglobe, Inc.) June, 1996 to February, 1999. Prior to that, Mr. Leach was Vice President of Agent Services at BTI Telecomm, from December, 1989 to June, 1996. Regional Sales Manager of Mobilecomm (a Bell South Company) where he started in sales and rose to a Regional Sales Manager position May, 1985 to December, 1989.

Jay J. Miller, Esq. has served as a Director since 1983. He has been a practicing attorney for more than 35 years in New York. He is Chairman of the Board of AmTrust Pacific Ltd., a New Zealand real estate company. He is also a director of Technology Insurance Company, Inc., a provider of various insurance products to the technology industry, and certain of its affiliates. Mr. Miller has performed legal services on behalf of Covista. See "Certain Relationships and Related Transactions."

Thomas P. Gunning was appointed Vice President, Secretary / Treasurer of Covista in May 1999. He was appointed Chief Financial Officer in September, 1994 and served in that capacity until May of 1999. He was again appointed Chief Financial Officer in May of 2000. He was appointed Secretary of Covista in January of 1995. He has served as Controller of Covista since September, 1992. He is a Certified Public Accountant licensed by the States of New York and New Jersey. From 1989 until joining Covista, Mr. Gunning was the Senior Audit Manager at Rosenberg Selsman & Company, a certified public accounting firm. From 1976 to 1989, he was Chief Financial Officer of Flyfaire, Incorporated, a travel wholesale operator. Prior to such time, Mr. Gunning held various positions in both public and private accounting firms.

Donald Jones recently retired from his position as Senior Vice President for Chapter Services of the American Red Cross, for which he worked since 1991. Prior to joining the Red Cross, Mr. Jones was Deputy Assistant Secretary of Defense for Military Manpower and Personnel Policy. Mr. Jones served in the United States Army for over 35 years and retired in 1991 with the permanent rank of Lieutenant General.

Nicholas Merrick currently serves as President of Mt Vernon Investments, LLC, an investment company, which he has served as President since January 2002. Mr. Merrick served as Senior Vice President and Chief Financial Officer of Telergy, Inc., a high-speed fiber optic communications network company, from May, 2000 to July, 2001. Telergy filed for reorganization under the bankruptcy laws in October 2001 and is currently in the process of liquidation. Prior to joining Telergy, Mr. Merrick was Chief Executive Officer of Up2 Technologies, Inc. and Executive Vice President of Excel Communications, each of which is a subsidiary of Teleglobe, Inc. (global communications, e-business services), from 1998 until 2000. From 1996 to 1997, he was Vice President and Chief Financial Officer of Telco Communications Group, Inc., and from 1985 to 1996, he was Vice President of Corporate Finance at the Robinson-Humphrey Company, Inc. and Managing Director of R-H Capital Partners.

Kevin A. Alward was appointed Chief Operating Officer of Covista on March 29, 2001 and was elected a director of Covista on July 17, 2001. He had previously served TotalTel USA as President and Chief Operating Officer from 1994 to 1998, when he left the company to become President of North America for Destia Communications, Inc. (formerly known as Econophone, Inc.) and its successor by merger, Viatel, Inc. In April 2000

**EXHIBIT "E"**  
**CORPORATE ORGANIZATION CHART**

**EXHIBIT "F"**  
**INTRALATA PRESUBSCRIPTION IMPLEMENTATION PLAN**

**COVISTA, INC. (Covista)**  
**IntraLATA Presubscription Implementation Plan**

**I. Purpose**

The intent of this Plan is to provide a proposal that, upon implementation, would provide customers the ability to select the telecommunications carrier of their choice for routing their intraLATA toll calls. Covista proposes to implement intraLATA toll dialing parity from the date it receives authority to provide local exchange services in Tennessee and has entered into interconnection arrangements with the ILECs. Covista proposes to provide toll dialing parity to the Chattanooga, Knoxville, Memphis and Nashville LATAs. Attached hereto are the exchange areas that Covista proposes to provide intraLATA toll dialing parity.

**II. Carrier Selection Procedures**

Covista will implement the full 2-PIC (Primary Local Exchange Carrier) carrier selection methodology. With the full 2-PIC methodology, customers will be able to presubscribe to one telecommunications carrier for interLATA toll calls and presubscribe to the same or a different participating telecommunications carrier, including their existing local exchange company, for all intraLATA toll calls. Orders for changes will be accepted and processed beginning on the implementation date.

Covista employees who communicate with the public, accept customer orders, and serve in customer service capacities will be trained to explain the process to customers for making PIC changes for intraLATA toll calls. Business Office personnel will be prepared to make changes in customer records based upon requests from customers or carriers and direct customers to their chosen intraLATA carriers. Processes will be in place to provide new customers with an opportunity to choose their intraLATA toll carrier from a list of available carriers. Covista will implement a PIC change charge waiver period of 90 days.

**New Customers**

Customers who contact Covista requesting new telephone exchange service will be provided a list of telecommunications carriers available to provide interLATA toll service. Upon implementation of intraLATA toll presubscription, the customer will be provided a second list of carriers, including Covista, that provides intraLATA toll service in their exchange. The list of intraLATA toll carriers will be presented in a competitively neutral manner. Customers who do not make a positive choice for an intraLATA toll carrier will be identified within Covista's system as a "no-PIC" and will not be automatically defaulted to a carrier. Customers identified as "no-PIC" within Covista's systems will be required to dial 101XXXX to place intraLATA toll calls until they make an affirmative choice for an intraLATA toll carrier.

### III. Customer Education/Notification

Customers will receive information explaining their opportunity to select an intraLATA carrier a minimum of 30 days in advance of the offering of intraLATA toll dialing parity via a bill message. In addition, during the 30 days following implementation of intraLATA Dialing Parity, customers will receive a bill insert also explaining their opportunity to select an intraLATA carrier. Covista anticipates that promotional strategies by carriers will contribute to customer awareness of intraLATA toll dialing parity. Customer telephone directories will be updated as new editions are published to reflect the opportunity for customers to choose an intraLATA toll carrier.

### IV. Carrier Notification

Current interexchange carriers will be notified of Covista's intraLATA toll dialing parity implementation via letter approximately 90 days in advance of the proposed implementation date. Carriers should provide a list of exchanges in which they plan to offer intraLATA toll service at least 60 days in advance of Covista's implementation date. Covista needs notification in advance to include the carrier on the list of participating carriers in each Covista exchange. Certified carriers who enter the market after implementation will be added to the list of participating carriers within 30 days of notifying Covista.

Covista will provide subscriber listing information to carriers in "readily accessible" tape or electronic formats in a timely manner as requested through the processes that currently exist for the interLATA market. The process includes subscriber listing updates to carriers for new customers who choose that carrier or of existing customers of a carrier who revise their subscriber listing information. In addition, carriers can obtain complete subscriber listings in several formats. The provision of this information is in compliance with FCC Order No. 96-333, Paragraph 389.

Covista will comply with Part 51, Sections, 305, 307, 325, 327, 329, 331, 333 and 335 of the FCC Order in providing the required information and notice to the public of network changes. Covista plans to file a public notice with the FCC, with possible migration of the notice to the Internet process as described in Section 329. The notice will include network information as outlined in Section 327. The notice will be provided within the timeframes described in Sections 331-333. Covista will comply with all rules of the FCC and the TRA.

## V. Non-Discriminatory Access

Covista will provide:

- non-discriminatory access to emergency services and services for the hearing and speech impaired;
- non-discriminatory access to local and long distance directory assistance and provision of local telephone directories to end users;
- non-discriminatory access to operator services;
- non-discriminatory access using standard dialing patterns to all interLATA and intraLATA long distance carriers, including 1+ and 0+ access to the customer's carrier of choice for interLATA calls; and
- non-discriminatory access to telephone numbers and number portability where technically and economically feasible.

## VI. Slamming Policy

### Verification of orders

Covista will not submit a change order for local exchange or intrastate toll service until the change order is confirmed in accordance with one of the following procedures:

(a) Covista has obtained the customer's written authorization to submit the order which includes the following information from the customer:

- (1) The customer billing name, billing telephone number and billing address and each telephone number to be covered by the change order;
- (2) The decision to change; and
- (3) The customer's understanding of the change fee.

(b) Covista has obtained the customer's authorization, as described in (a) of this subsection, electronically.

Calls to the number(s) shall connect a customer to a voice response unit, or similar, that records the required information regarding the change, including automatically recording the originating automatic number identification (ANI).

(c) An appropriately qualified and independent third party operating in a location physically separate from the telemarketing representative has obtained the customer's oral authorization to submit the change order that confirms and includes appropriate verification data in (a) of this subsection.

### Implementing order changes

(a) Telemarketing orders. Within three business days of any telemarketing order for a change, Covista will send each new customer an information package by first class mail containing at least the following information concerning the requested change:

- (1) The information is being sent to confirm a telemarketing order placed by the customer.
- (2) The name of the customer's current telecommunications company.
- (3) A description of any terms, conditions or charges that will be incurred.

- (4) The name of the newly requested telecommunications company.
- (5) The name of the person ordering the change.
- (6) The name, address and telephone number of both the customer and Covista.
- (7) A postpaid postcard which the customer can use to deny, cancel or confirm a service order.
- (8) A clear statement that if the customer does not return the postcard, the customer's service will be switched fourteen days after the date the information package was mailed. If customers have cancelled their orders during the waiting period, Covista cannot submit the customer's order.
- (9) The name, address and telephone number of a contact point for consumer complaints.
- (b) The documentation of the order shall be retained by Covista, at a minimum, for twelve months to serve as verification of the customer's authorization to change its telecommunications company. The documentation will be made available to the customer upon request.
- (c) Customer initiated orders. Covista when receiving the customer initiated request for a change of local exchange and/or intrastate toll shall keep an internal memorandum or record generated at the time of the request. Such internal record shall be maintained by Covista for a minimum of twelve months to serve as verification of the customer's authorization to change telecommunications companies. The internal record will be made available to the customer upon request. Within three business days of the order, Covista will send each new customer an information package by first class mail containing at least the following information concerning the request to change.

### List of Exchanges

Adams-Cedar Hill	Arlington	Ashland City	Athens
Bean Station	Bells	Bent Creek	Benton
Bethel Springs	Big Sandy	Blanche	Bolivar
Brownsville	Bulls Gap	Camden	Carthage
Cedar Grove	Centerville	Charleston	Charlotte
Chattanooga	Chestnut Hill	Clarksville	Cleveland
Clinton	Collierville	Columbia	Copper Basin
Covington	Cross Plains	Culleoka	Cumberland City
Cumberland Gap	Cunningham	Dandridge	Dayton
Decatur	Dickson	Dover	Dyer
Dyersburg	Eagleville	East Sango	Elkton
Etowah	Fairview	Fayetteville	Flintville
Franklin	Fredonia	Gallatin	Gatlinburg
Georgetown	Gibson	Gleason	Goodlettsville
Grand Junction	Greenback	Greenbrier	Greenfield
Halls	Hampshire	Harriman	Hartsville
Henderson	Hendersonville	Henning	Hohenwald
Hornbeak	Humboldt	Huntington	Huntland
Jackson	Jasper	Jefferson City	Jellico
Kenton	Kingston	Kingston Springs	Knoxville
LaFollette	LaGrange	Lake City	Lawrenceburg
Lebanon	Lenoir City	Lewisburg	Lexington
Loudon	Lyles	Lynchburg	Lynnville
Madisonville	Manchester	Maryville	Mascot
Maynardville	McEwen	McKenzie	Medina
Memphis	Middleton	Milan	Morristown
Moscow	Mt. Pleasant	Murfreesboro	Nashville
Newbern	Newport	Normandy	Norris
N. Spring Hill	Oak Ridge	Old Hickory	Oliver Springs
Palmyra	Paris	Petersburg	Pleasant View
Portland	Pulaski	Ridgely	Ripley
Rockwood	Rogersville	Sango	Santa Fe
Savannah	Selmer	Sevierville	Sewanee
Shelbyville	Smyrna	Sneedville	Soddy-Daisy
Solway	Somerville	S. Cunningham	S. Fredonia
S. Pittsburgh	Spencer Mill	Spring City	Springfield
Spring Hill	Summertown	Surgoinsville	Sweetwater
Tiptonville	Trenton	Triune	Troy
Tullahoma	Union City	Vanleer	Wartrace
Watertown	Waverly	W. Sweetwater	W. Whiteville
White Bluff	White House	White Pine	Whiteville
Whitewell	Williamsport	Winchester	



**EXHIBIT "G"**  
**SMALL & MINORITY OWNED TELECOMMUNICATIONS BUSINESS**  
**PARTICIPATION PLAN**

**COVISTA, INC.**

**SMALL & MINORITY OWNED TELECOMMUNICATIONS BUSINESS  
PARTICIPATION PLAN**

Pursuant to T.C.A. §65-5-212, as amended, Covista, Inc. ("Covista") submits this small and minority-owned Telecommunications business participation plan (the "Plan") along with its Application for a Certificate of Public Convenience and Necessity to provide competing intrastate and local exchange services in Tennessee.

## **I. PURPOSE**

The purpose of §65-5-212 is to provide opportunities for small and minority-owned businesses to provide goods and services to Telecommunications service providers. Covista is committed to the goals of §65-5-212 and to taking steps to support the participation of small and minority-owned Telecommunications businesses in the Telecommunications industry. Covista will endeavor to provide opportunities for small and minority-owned Telecommunications businesses to compete for contracts and subcontracts for goods and services. As part of its procurement process, Covista will make efforts to identify and inform minority-owned and small businesses that are qualified and capable of providing goods and services to Covista of such opportunities. Covista's representatives have already contacted the Department of Economic and Community Development, the administrator of the small and minority-owned Telecommunications assistance program, to obtain a list of qualified vendors. Moreover, Covista will seek to increase awareness of such opportunities so that companies not otherwise identified will have sufficient information to participate in the procurement process.

## II. DEFINITIONS

As defined in §65-5-212.

*Minority-Owned Business.* Minority-owned business shall mean a business which is solely owned, or at least fifty-one percent (51%) of the assets or outstanding stock of which is owned, by an individual who personally manages and controls daily operations of such business, and who is impeded from normal entry into the economic mainstream because of race, religion, sex or national origin and such business has annual gross receipts of less than four million dollars (\$4,000,000).

*Small Business.* Small Business shall mean a business with annual gross receipts of less than four million dollars (\$4,000,000).

## III. ADMINISTRATION

Covista's Plan will be overseen and administered by the individual named below, hereinafter referred to as the Administrator, who will be responsible for carrying out and promoting Covista's full efforts to provide equal opportunities for small and minority-owned businesses. The Administrator of the Plan will be:

A. John Leach, President  
Covista, Inc.  
721 Broad Street, 2nd Floor  
Chattanooga, Tennessee 37402  
Telephone: (423) 648-9500  
Facsimile: (423) 648-9502

The Administrator's responsibilities will include:

(1) Maintaining an updated Plan in full compliance with §65-5-212 and the rules and orders of the Tennessee Regulatory Authority.

- (2) Establishing and developing policies and procedures necessary for the successful implementation of the Plan.
- (3) Preparing and submitting such forms as may be required by the Tennessee Regulatory Authority, including the filing of required annual updates.
- (4) Serving as the primary liaison to and cooperate with the Tennessee Regulatory Authority, other agencies of the State of Tennessee, and small and minority-owned businesses to locate and use qualified small and minority-owned businesses as defined in §65-5-212.
- (5) Searching for and developing opportunities to use small and minority-owned businesses and encouraging such businesses to participate in and bid on contracts and subcontracts.
- (6) Providing records and reports and cooperate in any authorized surveys as required by the Tennessee Regulatory Authority.
- (7) Establishing a record-keeping system to track qualified small and minority-owned businesses and efforts to use such businesses.
- (8) Providing information and educational activities to persons within Covista and training such persons to seek out, encourage, and promote the use of small and minority-owned businesses.

In performance of these duties, the Administrator will utilize a number of resources, including:

Chambers of Commerce  
The Tennessee Department of Economic and Community Development  
The United States Department of Commerce  
Small Business Administration  
Office of Minority Business  
The National Minority Supplier Development Counsel  
The National Association of Women Business Owners

The National Minority Supplier Development Counsel  
The National Association of Women Business Owners  
The National Association of Minority Contractors  
Historically Black Colleges, Universities, and Minority Institutions


The efforts to promote and ensure equal opportunities for small and minority-owned businesses are primarily spelled out in the Administrator's duties above. Additional efforts to provide opportunities to small and minority-owned businesses will include offering, where appropriate and feasible, small and minority-owned businesses assistance with technical, insurance, bonding, licensing, production, and deadline requirements.

#### **IV. RECORDS AND COMPLIANCE REPORTS**

Covista will maintain records of qualified small and minority-owned business and efforts to use the goods and services of such businesses. In addition, Covista will maintain records of educational and training activities conducted or attended and of the internal procurement procedures adopted to support this plan.

Covista will submit records and reports required by the Tennessee Regulatory Authority concerning the Plan. Moreover, Covista will cooperate fully with any surveys and studies required by the Tennessee Regulatory Authority.

Covista, Inc.

By:   
A. John Leach  
President

Dated: March 21, 2003

**EXHIBIT "H"**  
**PRE-FILED TESTIMONY**

**PRE-FILED TESTIMONY  
OF  
A. JOHN LEACH**

**I. Introduction**

- 1     1.     Q.     Please state your name and business address.
- 2             A.     My name is A. John Leach. My business address is 721 Broad Street, 2nd Floor,
- 3                     Chattanooga, Tennessee 37402.
- 4     2.     Q.     By whom are you employed and in what capacity?
- 5             A.     I am President for Covista, Inc. ("Covista").
- 6     3.     Q.     Please give a brief description of your background and experience in business and
- 7                     telecommunications.
- 8             A.     My background and experience, as well as other members of the management team
- 9                     of Covista, are set forth in Exhibit D to our application.



1 4. Q. What is the purpose of your testimony?

2 A. The purpose of my testimony is to describe the nature of Covista's proposed service  
3 offering within the State of Tennessee, and to demonstrate its financial, managerial,  
4 and technical ability to provide the telecommunications services for which authority  
5 is sought herein.

6 5. Q. Do you wish to incorporate by reference any documents into your testimony?

7 A. Yes. I wish to incorporate by reference the underlying Application filed in this  
8 proceeding and its associated attachments.

9 II. The Business of Covista

10 6. Q. Has Covista registered to do business in Tennessee?

11 A. Yes. Covista is a New Jersey Corporation that has received authorization to transact  
12 business within the State of Tennessee. A copy of Covista's Articles of  
13 Incorporation, as amended, and bylaws, are attached to the Application as Exhibit A  
14 and a copy of the document of authorization from the State of Tennessee is attached  
15 to that Application as Exhibit B.

1 7. Q. Please describe the services Covista intends to provide within the State of  
2 Tennessee.

3 A. Covista expects to offer a full array of local exchange services to both business  
4 and residential customers, including the following:  
5  
6

7 Local Exchange:

8 A. Local Exchange Services for business and residence customers that will  
9 enable customers to originate and terminate local calls in the local calling area  
10 served by other LECs.

11 B. Switched local exchange services, including basic service, trunks, carrier  
12 access, and any other switched local services that currently exist or will exist in the  
13 future.

14 C. Non-switched local services (e.g., private line) that currently exist or will  
15 exist in the future.

16 D. Centrex and/or Centrex-like services that currently exist or will exist in the  
17 future.

18 E. Digital subscriber line, ISDN, and other high capacity services.

19 In addition to the services listed above, Covista, through interconnection with other  
20 carriers, will offer dual-party relay services, 9-1-1 Emergency Services, directory  
21 assistance and operator assisted calls, lifeline, and toll-free calling.

1     8.     Q.     How does Covista intend to provide service in the State of Tennessee?

2     A.     Covista will initially use unbundled network elements and services purchased from  
3     BellSouth and other incumbent local exchange providers. Covista has no plans at this  
4     time to install facilities to provide local exchange services in Tennessee. If Covista  
5     installs facilities in Tennessee, it will probably use the following or a similar configuration  
6     of equipment: Covista will provide voice, high speed data and internet access services  
7     through a combination of the latest technology switching and transport media comprised  
8     of the Lucent Technology 5 ESS Generic 13 switch module, ADSL/SDSL transport and  
9     Internet service equipment and the latest Optical multiplexer DAC's configurations. The  
10    switching system consists of a central processing and control complex capable of  
11    interconnection as a peer to the incumbent as well as competitive local exchange  
12    companies. The hub portion of the switch will interconnect with the public switched  
13    network on Signaling System 7 ("SS7") or Feature Group D ("FGD") facilities. The  
14    system's remote module capability will allow properties to be served in a manner that  
15    provides the exchange of appropriate signaling, control and calling/caller information to  
16    the network in accordance with network standards and specifications. Additionally, these  
17    services will be delivered over a combination of delivery mechanisms through incumbent  
18    local carriers' unbundled loop network, both copper and fiber and transport networks, as  
19    well as via Covista constructed facilities.

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9. Q. Does Covista have authorization to provide intrastate telecommunications services in any other state?

4

5

A. Yes. Applicant is currently authorized to, and is providing, long distance service throughout the United States. Applicant is authorized to provide local exchange services in Alabama, Arkansas, California, Colorado, Connecticut, Delaware, Florida, Illinois, Iowa, Kansas, Kentucky, Massachusetts, Michigan, Minnesota, Montana, Nebraska, Nevada, New Hampshire, New Jersey, New York, North Carolina, Ohio, Oregon, Pennsylvania, Rhode Island, South Dakota, Texas, Virginia, Washington D.C, Washington and Wisconsin. Applicant is in the process of applying for authorization to provide competitive local exchange services throughout the United States. Applicant has not been denied authority for any of the services for which it seeks authority in this Application.

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10. Q. Has Covista ever had an application for a certificate of public convenience and necessity denied?

16

17

A. No.

11. Q. Does Covista intend to file a tariff with the Commission?
- A. Yes. Covista will file its tariff subsequent to certification and prior to commencing operations as required by Commission rules.
12. Q. Is Applicant is willing and able to adhere to all applicable TRA policies, rules and orders?
- A. Yes. Applicant is willing and able to adhere to all applicable TRA policies, rules and orders. In addition, Covista at all times will provide interstate services in compliance with all FCC rules and regulations. Covista will at all times provide and market services in accordance with current Commission policies and will attempt to comply with the terms of that order in every respect possible.

13. Q. Has Covista provided any intrastate telecommunications services within the State of Tennessee?
- A. Yes, Covista is currently providing long distance services in Tennessee per authority granted in Docket Nos. 95-03238 and 97-07619.
14. Q. What rates will Covista charge upon receipt of certification?
- A. Covista will charge the tariffed rates approved by the Commission.
15. Q. How will Covista market services in Tennessee?
- A. Covista intends to market its services via direct sales by Covista's employees.

III. Managerial, Technical and Financial Qualifications

16. Q. Does Covista have sufficient managerial, technical, and financial resources and ability to provide the telecommunications services proposed in its Application?
- A. Yes. Covista has sufficient technical, financial, and managerial resources and ability to provide the telecommunications services for which authority is sought herein. Covista's personnel represent a broad spectrum of business and technical disciplines, possessing many years of individual and aggregate telecommunications experience.
- My qualifications and experience, as well as members of Covista's current management team, are discussed on Exhibit D that is attached to our Application in support of Applicant's managerial and technical ability to provide the services for which authority is sought herein. See also Exhibit C.

17. Q. How does Covista handle customer service requests?

A. Registrant's customer service department may be contacted nationwide via a local or toll-free number. The Company will maintain a Customer Service Department exclusively for Customer's questions, requests for service, complaints and trouble handling. The Company's Customer Service address and applicable local or toll free number(s) will be printed on the Customer's bill. The Customer Service Department will be located at 721 Broad Street, 2nd Floor, Chattanooga, Tennessee 37402. The Company also intends to have a locally staffed office at one or more hub site locations and will provide its customers with a local Customer Service number which will be available 24 hours per day, 7 days per week.

Office Hours- Excluding holidays, Customer Service Representatives will be available 8:00 AM to 5:00 PM standard time Monday through Friday. After hours, Sundays and on holidays, Customers will automatically forwarded to an answering service for messaging and paging.

Complaint Procedures- The Customer shall pose any inquiries or disputes directly to the Company for resolution. Written communications should be directed to the Company's Customer Service department. All undisputed portions of any outstanding balance due are to be paid while resolution of the inquiry or dispute is pending. The Company will investigate a Customer inquiry or dispute and report the findings to the Customer. If the Company finds its actions to be consistent

with its Tariff, the Company will inform the Customer of its no fault finding and require full payment of any outstanding balance due. If the Customer is not satisfied with the Company's resolution of an inquiry or dispute, the Customer may refer the matter to the Commission for final determination.

18. Q. Please describe the financial condition of Covista.

A. In support of Covista's financial ability to provide the services sought herein, copies of Covista Communications, Inc.'s Form 10-K for the year ended January 31, 2003 and Form 10-Q for the period ended April 30, 2003, were submitted as Exhibit C to its Application.



#### IV. Public Interest

19. Q. How will residents of Tennessee benefit from Covista's services and presence in Tennessee?

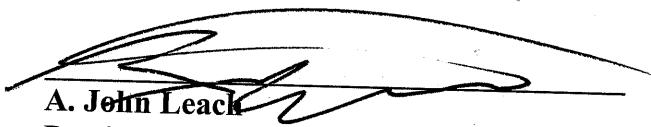
The Commission's grant of this certificate is in the public interest because residential and business consumers of telecommunications services within Covista's service territory will receive increased choice, improved quality of service, and heightened opportunities to obtain improved technology in the homes and businesses. Market incentives for new and old telecommunications providers in Tennessee will be improved greatly through an increase in the diversity of suppliers and competition within the local exchange telecommunications market. Consistent with the Commission's intent to aid in the development of a competitive telecommunications environment in Tennessee, the granting of a certificate of authority to provide local exchange service will offer increased efficiency to the State's telecommunications infrastructure through greater reliability of services and an increase in competitive choices.

20. Q. Does this conclude your testimony?

A. Yes. I would like to thank the Commission for this opportunity to provide information relevant to Covista's Application and am ready to provide any additional information that the Commission may need in making its decision.


**VERIFICATION OF APPLICANT**

I, A. John Leach, President of Covista, Inc., a New Jersey Corporation, the applicant for a Certificate of Public Convenience and Necessity from the Public Service Commission of the State of Tennessee, verify that based on information and belief, I have knowledge of the statements in the foregoing Pre-Filed Testimony, and I declare that they are true and correct.

  
A. John Leach  
President  
Covista, Inc.

Sworn to me, the undersigned  
Notary Public on this  
21st day of March, 2003.

State of Tennessee  
County of Hamilton

  
Notary Public

**EXHIBIT "I"**  
**NUMBERING ISSUES & TENNESSEE SPECIFIC OPERATION ISSUES**

**Numbering Issues**

1. Applicant's expected demand for NXXs within a year of approval of our application is 60 to 80 NXXs per NPA.
2. Applicant estimates it will request 60 NXXs from NANPA when we establish our service footprint.
3. We expect to establish our initial service footprint in the 615 and 931 NPAs within 6 months of certification.
4. The company will sequentially assign numbers within NXXs if it is required by Commission rules and regulations. In other jurisdictions customer requirements have dictated the non-sequential assignment of telephone numbers.
5. The company will follow NANPA guidelines and Commission regulations and assign numbers accordingly.
6. When ordering NXXs for growth, we follow the forecasting guidelines set by NANPA and the state regulatory body. We intend to apply a 6 or 12 month forecast, depending on the jeopardy situation in a given NXX.

**Tennessee Specific Operation Issues**

1. Our current billing system will allow us to bill the calling plan in compliance with TCA Section 65-21-114.
2. At this time, the company is not aware of the Tennessee County Wide Calling database maintained by BellSouth and the procedures to enter your telephone numbers on the database. The company intends to address all interconnection requirements and procedures with Bell South during the negotiation process and prior to the provision of local exchange service.
3. The company initially intends to provide service in Chattanooga, Knoxville, Memphis, and Nashville. It is the Company's usual practice to mirror the calling pattern on the incumbent LEC, therefore this is how the company will provide metro area toll-free calling around Memphis, Nashville, Knoxville & Chattanooga.

4. At this time, the company is not aware of the MAC database maintained by BellSouth and the procedures to enter your telephone number on the database. The company intends to address all interconnection requirements and procedures with Bell South during the negotiation process and prior to the provision of local exchange service.
5. Employee responsible to work with the TRA on resolving customer complaints:  
Regulatory contact: A. John Leach  
(423) 648-9500  
  
Customer Service contact: Tony Barrett  
(423) 648-9600
6. The company intends to use telesales by its own employees. The company is aware of the telemarketing statutes and limitations found in TCA Section 65-4-401 and Chapter 1220-4-11 and will make every effort to comply with these regulations.

**EXHIBIT "J"**  
**BOND OR LETTER OF CREDIT**

**The company has already filed a \$20,000 letter of credit in connection with its long distance authority.**

**EXHIBIT "K"**  
**PROPOSED TARIFF**

**COVISTA, INC.**  
721 Broad Street, 2nd Floor  
Chattanooga, Tennessee 37402

**Original Page 1**  
**Tennessee Tariff Number 2**

**RULES, REGULATIONS, AND  
SCHEDULE OF RATES AND CHARGES  
APPLICABLE TO END USERS**

**LOCAL EXCHANGE TELECOMMUNICATIONS SERVICES**

**FURNISHED BY  
COVISTA, INC.  
WITHIN THE STATE OF TENNESSEE**

**Issued: July 31, 2003**  
**Issued by:**

**A. John Leach, President**  
**Covista, Inc.**  
721 Broad Street, 2nd Floor  
Chattanooga, Tennessee 37402

**Effective: August 30, 2003**



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Issued: July 31, 2003  
Issued by:

A. John Leach, President  
Covista, Inc.  
721 Broad Street, 2nd Floor  
Chattanooga, Tennessee 37402

Effective: August 30, 2003

CHECK SHEET

The Title Page and pages listed below are inclusive and effective as of the date shown. Original and revised pages as named below contain all changes from the original tariff that are in effect on the date shown on each page.

<u>Page</u> <u>Number</u>	<u>Revision</u>	<u>Page</u> <u>Number</u>	<u>Revision</u>	<u>Page</u> <u>Number</u>	<u>Revision</u>	<u>Page</u> <u>Number</u>	<u>Revision</u>	<u>Page</u> <u>Number</u>	<u>Revision</u>
1	Original	26	Original	51	Original	76	Original		
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3	Original	28	Original	53	Original	78	Original		
4	Original	29	Original	54	Original	79	Original		
5	Original	30	Original	55	Original	80	Original		
6	Original	31	Original	56	Original	81	Original		
7	Original	32	Original	57	Original	82	Original		
8	Original	33	Original	58	Original	83	Original		
9	Original	34	Original	59	Original	84	Original		
10	Original	35	Original	60	Original	85	Original		
11	Original	36	Original	61	Original	86	Original		
12	Original	37	Original	62	Original	87	Original		
13	Original	38	Original	63	Original	88	Original		
14	Original	39	Original	64	Original	89	Original		
15	Original	40	Original	65	Original	90	Original		
16	Original	41	Original	66	Original				
17	Original	42	Original	67	Original				
18	Original	43	Original	68	Original				
19	Original	44	Original	69	Original				
20	Original	45	Original	70	Original				
21	Original	46	Original	71	Original				
22	Original	47	Original	72	Original				
23	Original	48	Original	73	Original				
24	Original	49	Original	74	Original				
25	Original	50	Original	75	Original				

Issued: July 31, 2003  
Issued by:

A. John Leach, President  
Covista, Inc.  
721 Broad Street, 2nd Floor  
Chattanooga, Tennessee 37402

Effective: August 30, 2003

EXPLANATION OF SYMBOLS

The following symbols shall be used in this tariff for the purpose indicated below:

- (C) To signify changed regulation.
- (D) To signify discontinued rate and regulation.
- (I) To signify increased rate.
- (M) To signify a move in the location of text.
- (N) To signify new rate or regulation.
- (R) To signify reduced rate.
- (S) To signify reissued matter.
- (T) To signify a change in text but no change in rate or regulation.

Issued: July 31, 2003  
Issued by:

A. John Leach, President  
Covista, Inc.  
721 Broad Street, 2nd Floor  
Chattanooga, Tennessee 37402

Effective: August 30, 2003

COVISTA, INC.  
721 Broad Street, 2nd Floor  
Chattanooga, Tennessee 37402

Original Page 5  
Tennessee Tariff Number 2

APPLICATION OF TARIFF

This tariff sets forth the service offerings, rates, terms and conditions applicable to the local exchange telecommunications services provided by Covista, Inc., to customers within the state of Tennessee.

Issued: July 31, 2003  
Issued by:

A. John Leach, President  
Covista, Inc.  
721 Broad Street, 2nd Floor  
Chattanooga, Tennessee 37402

Effective: August 30, 2003

SECTION 1.0 - DEFINITIONS

For the purpose of this tariff, the following definitions will apply:

**Access Line** - An arrangement which connects the Customer's location to a switching center or point of presence.

**Account Codes** - Optional, Customer-defined digits that allow the Customer to identify the individual user, department or client associated with a call. Account Codes appear on the Customer bill.

**Advance Payment** - Part or all of a payment required before the start of service.

**Authorized User** - A person, firm, corporation, or any other entity authorized by the Customer to communicate utilizing the Company's service.

**Business** - A class of service provided to individuals engaged in business, firms, partnerships, corporations, agencies, shops, works, tenants of office buildings, and individuals practicing a profession or operating a business who have no offices other than their residences and where the use of the service is primarily or substantially of a business, professional or occupational nature.

**Commission** - Tennessee Regulatory Authority.

**Company or Carrier** - Covista, Inc., unless otherwise clearly indicated by the context.

**Customer** - The person, firm, corporation or other entity which orders, cancels, amends or uses service and is responsible for payment of charges and compliance with the Company's tariff.

**Deposit** - Refers to a cash or equivalent of cash security held as a guarantee for payment of the charges.

Issued: July 31, 2003  
Issued by:

A. John Leach, President  
Covista, Inc.  
721 Broad Street, 2nd Floor  
Chattanooga, Tennessee 37402

Effective: August 30, 2003

**DID Trunk** - A form of local switched access that provides the ability for an outside party to call an internal extension directly without the intervention of the Company operator.

**Dial Pulse (or "DP")** - The pulse type employed by rotary dial station sets.

**Dual Tone Multi-Frequency (or "DTMF")** - The pulse type employed by tone dial station sets.

**End User** - Any person, firm, corporation, partnership or other entity which uses the services of the Company under the provisions and regulations of this tariff. The End User is responsible for payment unless the charges for the services utilized are accepted and paid for by another Customer.

**End Office** - With respect to each NPA-NXX code prefix assigned to the Company, the location of the Company's "end office" for purposes of this tariff shall be the point of interconnection associated with that NPA-NXX code in the Local Exchange Routing Guide ("LERG"), issued by Bellcore.

**Hearing Impaired** - Those persons with communication impairments, including those hearing impaired, deaf, deaf/blind, and speech impaired persons who have an impairment that prevents them from communicating over the telephone without the aid of a telecommunications device for the deaf.

**Hunting** - Routes a call to an idle station line in a prearranged group when the called station line is busy.

**In-Only** - A service attribute that restricts outward dial access and routes incoming calls to a designated answer point.

**IXC or Interexchange Carrier** - A long distance telecommunications services provider.

**LATA** - A Local Access and Transport Area established pursuant to the Modification of Final Judgment entered by the United States District Court for the District of Columbia in Civil Action No. 82-0192; or any other geographic area designated as a LATA in the National Exchange Carrier Association, Inc. Tariff F.C.C. No. 4.

**LEC** - Local Exchange Company

**Minimum Point of Presence ("MPOP")** - The main telephone closet in the Customer's building.

**Monthly Recurring Charges** - The monthly charges to the Customer for services, facilities and equipment, which continue for the agreed upon duration of the service.

**Multi-Frequency or ("MF")** - An inter-machine pulse type used for signaling between telephone switches, or between telephone switches and PBX/key systems.

**Non-Recurring Charge ("NRC")** - The initial charge, usually assessed on a one-time basis, to initiate and establish service.

**Other Telephone Company** - An Exchange Telephone Company, other than the Company.

**PBX** - Private Branch Exchange

**Premises** - A building or buildings on contiguous property.

**Recurring Charges** - The monthly charges to the Customer for services, facilities and equipment which continue for the agreed upon duration of the service.

**Residence or Residential** - A class of service furnished to a Customer at a place of dwelling where the actual or obvious use is for domestic purposes.

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**Service Commencement Date** - The first day following the date on which the Company notifies the Customer that the requested service is available for use, unless extended by the Customer's refusal to accept service which does not conform to standards set forth in the Service Order and this tariff, in which case the Service Commencement Date is the date of the Customer's acceptance. The Company and Customer may mutually agree on a substitute Service Commencement Date.

**Service Order** - The written request for services executed by the Customer and the Company in the format devised by the Company. The signing of an Order by the Customer and acceptance by the Company initiates the respective obligations of the parties as set forth therein and pursuant to this tariff, but the duration of the service is calculated from the Service Commencement Date.

**Telephone Company** - Used throughout this tariff to mean Covista, Inc., unless clearly indicated otherwise by the text.

**Two Way** - A service attribute that includes outward dial capabilities for outbound calls and can also be used to carry inbound calls to a central point for further processing.

**Usage Based Charges** - Charges for minutes or messages traversing over local exchange facilities.

**User or End User** - A Customer, Joint User, or any other person authorized by a Customer to use service provider under this tariff.

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**SECTION 2.0 - RULES AND REGULATIONS**

**2.1 Undertaking of the Company**

**2.1.1 Scope**

The Company undertakes to furnish communications service pursuant to the terms of this tariff in connection with one-way and/or two-way information transmission originating from points within the State of Tennessee, and terminating within a local calling area as defined herein.

The Company is responsible under this tariff only for the services and facilities provided hereunder, and it assumes no responsibility for any service provided by any other entity that purchases access to the Company network in order to originate or terminate its own services, or to communicate with its own Customers.

**2.1.2 Shortage of Equipment or Facilities**

- (A) The Company reserves the right to limit or to allocate the use of existing facilities, or of additional facilities offered by the Company, when necessary because of lack of facilities, or due to some other cause beyond the Company's control.
- (B) The furnishing of service under this tariff is subject to the availability on a continuing basis of all the necessary facilities and is limited to the capacity of the Company's facilities as well as facilities the Company may obtain from other carriers to furnish service from time to time as required at the sole discretion of the Company.

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SECTION 2.0 - RULES AND REGULATIONS (CONT'D)

2.1 Undertaking of the Company, (Cont'd.)

2.1.3 Terms and Conditions

- (A) Service is provided on the basis of a minimum period of at least one month, 24 hours per day. For the purpose of computing charges in this tariff, a month is considered to have thirty (30) days.
- (B) Customers may be required to enter into written service orders which shall contain or reference a specific description of the service ordered, the rates to be charged, the duration of the services, and the terms and conditions in this tariff. Customers will also be required to execute any other documents as may be reasonably requested by the Company.
- (C) Except as otherwise stated in the tariff, at the expiration of the initial term specified in each Service Order, or in any extension thereof, service shall continue on a month to month basis at the then current rates unless terminated by either party upon thirty (30) days written notice. Any termination shall not relieve the Customer of its obligation to pay any charges incurred under the service order and this tariff prior to termination. The rights and obligations which by their nature extend beyond the termination of the term of the service order shall survive such termination.
- (D) Service may be terminated upon written notice to the Customer if:
  - (1) the Customer is using the service in violation of this tariff; or
  - (2) the Customer is using the service in violation of the law.
- (E) This tariff shall be interpreted and governed by the laws of the State of Tennessee without regard for its choice of laws provision.

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SECTION 2.0 - RULES AND REGULATIONS (CONT'D)

2.1 Undertaking of the Company, (Cont'd.)

2.1.3 Terms and Conditions, (cont'd.)

- (F) Any Other Telephone Company may not interfere with the right of any person or entity to obtain service directly from the Company. No person or entity shall be required to make any payment, incur any penalty, monetary or otherwise, or purchase any services in order to have the right to obtain service directly from the Company.
- (G) To the extent that either the Company or any Other Telephone Company exercises control over available cable pairs, conduit, duct space, raceways, or other facilities needed by the other to reach a person or entity, the party exercising such control shall make them available to the other on terms equivalent to those under which the Company makes similar facilities under its control available to its Customers. At the reasonable request of either party, the Company and the Other Telephone Company shall jointly attempt to obtain from the owner of the property access for the other party to serve a person or entity.
- (H) The Company hereby reserves its rights to establish service packages specific to a particular Customer. These contracts may or may not be associated with volume and/or term discounts.

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SECTION 2.0 - RULES AND REGULATIONS (CONT'D)

2.1 Undertaking of the Company, (Cont'd.)

2.1.4 Limitations on Liability

- (A) Except as otherwise stated in this section, the liability of the Company for damages arising out of either: (1) the furnishing of its services, including but not limited to mistakes, omissions, interruptions, delays, or errors, or other defects, representations, or use of these services or (2) the failure to furnish its service, whether caused by acts or omission, shall be limited to the extension of allowances to the Customer for interruptions in service as set forth in Section 2.7.
- (B) Except for the extension of allowances to the Customer for interruptions in service as set forth in Section 2.7, the Company shall not be liable to a Customer or third party for any direct, indirect, special, incidental, reliance, consequential, exemplary or punitive damages, including, but not limited to, loss of revenue or profits, for any reason whatsoever, including, but not limited to, any act or omission, failure to perform, delay, interruption, failure to provide any service or any failure in or breakdown of facilities associated with the service.
- (C) The liability of the Company for errors in billing that result in overpayment by the Customer shall be limited to a credit equal to the dollar amount erroneously billed or, in the event that payment has been made and service has been discontinued, to a refund of the amount erroneously billed.

SECTION 2.0 - RULES AND REGULATIONS (CONT'D)

2.1 Undertaking of the Company, (Cont'd.)

2.1.4 Limitations on Liability (Cont'd.)

- (D) The Company shall be indemnified and saved harmless by the Customer from and against all loss, liability, damage and expense, including reasonable counsel fees, due to:
- (1) Any act or omission of: (a) the Customer, (b) any other entity furnishing service, equipment or facilities for use in conjunction with services or facilities provided by the Company; or (c) common carriers or warehousemen, except as contracted by the Company;
  - (2) Any delay or failure of performance or equipment due to causes beyond the Company's control, including but not limited to, acts of God, fires, floods, earthquakes, hurricanes, or other catastrophes; national emergencies, insurrections, riots, wars or other civil commotions; strikes, lockouts, work stoppages or other labor difficulties; criminal actions taken against the Company; unavailability, failure or malfunction of equipment or facilities provided by the Customer or third parties; and any law, order, regulation or other action of any governing authority or agency thereof;
  - (3) Any unlawful or unauthorized use of the Company's facilities and services;
  - (4) Libel, slander, invasion of privacy or infringement of patents, trade secrets, or copyrights arising from or in connection with the material transmitted by means of Company-provided facilities or services; or by means of the combination of company-provided facilities or services;
  - (5) Breach in the privacy or security of communications transmitted over the Company's facilities;

SECTION 2.0 - RULES AND REGULATIONS (CONT'D)

2.1 Undertaking of the Company, (Cont'd.)

2.1.4 Limitations on Liability (Cont'd.)

(D) (cont'd)

- (6) Changes in any of the facilities, operations or procedures of the Company that render any equipment, facilities or services provided by the Customer obsolete, or require modification or alteration of such equipment, facilities or services, or otherwise affect their use or performance, except where reasonable notice is required by the Company and is not provided to the Customer, in which event the Company's liability is limited as set forth in paragraph (A) of this Subsection 2.1.4.
- (7) Defacement of or damage to Customer premises resulting from the furnishing of services or equipment on such premises or the installation or removal thereof;
- (8) Injury to property or injury or death to persons, including claims for payments made under Workers' Compensation law or under any plan for employee disability or death benefits, arising out of, or caused by, any act or omission of the Customer, or the construction, installation, maintenance, presence, use or removal of the Customer's facilities or equipment connected, or to be connected to the Company's facilities;
- (9) Any non-completion of calls due to network busy conditions;
- (10) Any calls not actually attempted to be completed during any period that service is unavailable;
- (11) And any other claim resulting from any act or omission of the Customer or patron(s) of the Customer relating to the use of the Company's services or facilities.

SECTION 2.0 - RULES AND REGULATIONS (CONT'D)

2.1 Undertaking of the Company, (Cont'd.)

2.1.4 Limitations on Liability (Cont'd.)

- (E) The Company does not guarantee nor make any warranty with respect to installations provided for use in an explosive atmosphere.
- (F) The Company makes no warranties or representations, EXPRESS OR IMPLIED, either in fact or by operation of law, statutory or otherwise, including warranties of merchantability or fitness for a particular use, except those expressly set forth herein.
- (G) Failure by the Company to assert its rights pursuant to one provision of this tariff does not preclude the Company from asserting its rights under other provisions.

2.1.5 Notification of Service-Affecting Activities

The Company will provide the Customer reasonable notification of service-affecting activities that may occur in normal operation of its business. Such activities may include, but are not limited to, equipment or facilities additions, removals or rearrangements and routine preventative maintenance. Generally, such activities are not specific to an individual Customer but affect many Customers' services. No specific advance notification period is applicable to all service activities. The Company will work cooperatively with the Customer to determine the reasonable notification requirements. With some emergency or unplanned service-affecting conditions, such as an outage resulting from cable damage, notification to the Customer may not be possible.

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SECTION 2.0 - RULES AND REGULATIONS (CONT'D)

2.1 Undertaking of the Company, (Cont'd.)

2.1.6 Provision of Equipment and Facilities

- (A) The Company shall use reasonable efforts to maintain only the facilities and equipment that it furnishes to the Customer. The Customer may not nor may the Customer permit others to rearrange, disconnect, remove, attempt to repair, or otherwise interfere with any of the facilities or equipment installed by the Company, except upon the written consent of the Company.
- (B) The Company may substitute, change or rearrange any equipment or facility at any time and from time to time, but shall not thereby alter the technical parameters of the service provided by the Customer.
- (C) Equipment the Company provides or installs at the Customer Premises for use in connection with the services the Company offers shall not be used for any purpose other than that for which the equipment is provided.
- (D) Except as otherwise indicated, Customer provided station equipment at the Customer's premises for use in connection with the service shall be so constructed, maintained and operated as to work satisfactorily with the facilities of the Company.
- (E) The Company shall not be responsible for the installation, operation, or maintenance of any Customer provided communications equipment. Where such equipment is connected to the facilities furnished pursuant to this tariff, the responsibility of the Company shall be limited to the furnishing of facilities offered under this tariff and to the maintenance and operation of such facilities. Subject to this responsibility, the Company shall not be responsible for:
  - (1) the through transmission of signals by Customer provided equipment or for the quality of, or defects in, such transmission; or
  - (2) the reception of signals by Customer-provided equipment; or
  - (3) network control signaling where such signaling is performed by Customer-provided network control signaling equipment.



**SECTION 2.0 - RULES AND REGULATIONS (CONT'D)**

**2.1 Undertaking of the Company, (Cont'd.)**

**2.1.7 Non-Routine Installation**

At the Customer's request, installation and/or maintenance may be performed outside the Company's regular business hours or in hazardous locations. In such cases, charges based on cost of the actual labor, material, or other costs incurred by or charged to the Company will apply. If installation is started during regular business hours but, at the Customer's request, extends beyond regular business hours into time periods including, but not limited to, weekends, holidays, and/or night hours, additional charges may apply.

**2.1.8 Special Construction**

Subject to the agreement of the Company and to all of the regulations contained in this tariff, special construction or facilities may be undertaken on a reasonable efforts basis at the request of the Customer. Special construction is construction undertaken:

- (A) where facilities are not presently available, and there is no other requirement for the facilities so constructed;
- (B) of a type other than that which the Company would normally utilize in the furnishing of its services;
- (C) over a route other than that which the Company would normally utilize in the furnishing of its services;
- (D) in a quantity greater than that which the company would normally construct;
- (E) on an expedited basis;
- (F) on a temporary basis until permanent facilities are available;
- (G) involving abnormal costs; or
- (H) in advance of its normal construction.

**SECTION 2.0 - RULES AND REGULATIONS (CONT'D)**

**2.1 Undertaking of the Company, (Cont'd.)**

**2.1.9 Ownership of Facilities**

Title to all facilities provided in accordance with this tariff remains in the Company, its partners, agents, contractors or suppliers.

**2.2 Prohibited Uses**

- 2.2.1** The services the Company offers shall not be used for any unlawful purpose or for any use as to which the Customer has not obtained all required governmental approvals, authorizations, licenses, consents and permits.
- 2.2.2** The Company may require applicants for service who intend to use the Company's offerings for resale and/or for shared use to file a letter with the Company confirming that their use of the Company's offerings complies with relevant laws and the Tennessee Regulatory Authority's regulations, policies, orders, and decisions.
- 2.2.3** The Company may block any signals being transmitted over its Network by Customers which cause interference to the Company or other users. Customer shall be relieved of all obligations to make payments for charges relating to any blocked Service and shall indemnify the Company for any claim, judgment or liability resulting from such blockage.
- 2.2.4** A Customer, joint user, or authorized user may not assign, or transfer in any manner, the service or any rights associated with the service without the written consent of the Company. The Company will permit a Customer to transfer its existing service to another entity if the existing Customer has paid all charges owed to the Company for regulated communications services. Such a transfer will be treated as a disconnection of existing service and installation of new service, and non-recurring installation charges as stated in this tariff will apply.

SECTION 2.0 - RULES AND REGULATIONS (CONT'D)

**2.3 Obligations of the Customer**

**2.3.1 General**

The Customer shall be responsible for:

- (A) the payment of all applicable charges pursuant to this tariff;
- (B) damage to or loss of the Company's facilities or equipment caused by the acts or omissions of the Customer; or the noncompliance by the Customer, with these regulations; or by fire or theft or other casualty on the Customer Premises, unless caused by the negligence or willful misconduct of the employees or agents of the Company;
- (C) providing at no charge, as specified from time to time by the Company, any needed equipment, space and power to operate Company facilities and equipment installed on the premises of the Customer, and the level of heating and air conditioning necessary to maintain the proper operating environment on such premises;
- (D) obtaining, maintaining, and otherwise having full responsibility for all rights-of-way and conduit necessary for installation of fiber optic cable and associated equipment used to provide Communications Services to the Customer from the cable building entrance or property line to the location of the equipment space described in Section 2.3.1(C). Any and all costs associated with the obtaining and maintaining the rights-of-way described herein, including the costs of altering the structure to permit installation of the Company provided facilities, shall be borne entirely by, or may be charged by the Company, to the Customer. The Company may require the Customer to demonstrate its compliance with this section prior to accepting an order for service.

SECTION 2.0 - RULES AND REGULATIONS (CONT'D)

2.3 Obligations of the Customer

2.3.1 General (cont'd.)

- (E) providing a safe place to work and complying with all laws and regulations regarding the working conditions on the premises at which Company employees and agents shall be installing or maintaining the Company's facilities and equipment. The Customer may be required to install and maintain Company facilities and equipment within a hazardous area if, in the Company's opinion, injury or damage to the Company employees or property might result from installation or maintenance by the Company. The Customer shall be responsible for identifying, monitoring, removing and disposing of any hazardous material (e.g., friable asbestos) prior to any construction or installation work;
- (F) complying with all laws and regulations applicable to, and obtaining all consents, approvals, licenses and permits as may be required with respect to, the location of Company facilities and equipment in an Customer premises or the rights-of-way for which Customer is responsible under Section 2.3.1(D); and granting or obtaining permission for Company agents or employees to enter the premises of the Customer at any time for the purpose of installing, inspecting, maintaining, repairing, or upon termination of service as stated herein, removing the facilities or equipment of the Company;
- (G) not creating or allowing to be placed any liens or other encumbrances on the Company's equipment or facilities; and
- (H) making Company facilities and equipment available periodically for maintenance purposes at a time agreeable to both the Company and the Customer. No allowance will be made for the period during which service is interrupted for such purposes.

SECTION 2.0 - RULES AND REGULATIONS (CONT'D)

2.3 Obligations of the Customer (Cont'd.)

2.3.2 Liability of the Customer

- (A) The Customer will be liable for damages to the facilities of the Company and for all incidental and consequential damages caused by the negligent or intentional acts or omissions of the Customer, its officers, employees, agents, invites, or contractors where such acts or omissions are not the direct result of the Company's negligence or intentional misconduct.
- (B) To the extent caused by any negligent or intentional act of the Customer as described in (A), preceding, the Customer shall indemnify, defend and hold harmless the Company from and against all claims, actions, damages, liabilities, costs and expenses, including reasonable attorneys' fees, for (1) any loss, destruction or damage to property of any third party, and (2) any liability incurred by the Company to any third party pursuant to this or any other tariff of the Company, or otherwise, for any interruption of, interference to, or other defect in any service provided by the Company to such third party.
- (C) The Customer shall not assert any claim against any other Customer or user of the Company's services for damages resulting in whole or in part from or arising in connection with the furnishing of service under this tariff including but not limited to mistakes, omissions, interruptions, delays, errors or other defects or misrepresentations, whether or not such other Customer or user contributed in any way to the occurrence of the damages, unless such damages were caused solely by the negligent or intentional act or omission of the other Customer or user and not by any act or omission of the Company. Nothing in this tariff is intended either to limit or to expand Customer's right to assert any claims against third parties for damages of any nature other than those described in the preceding sentence.

**SECTION 2.0 - RULES AND REGULATIONS (CONT'D)**

**2.4 Customer Equipment and Channels**

**2.4.1 General**

A user may transmit or receive information or signals via the facilities of the Company. The Company's services are designated primarily for the transmission of voice-grade telephonic signals, except as otherwise stated in this tariff. A user may transmit any form of signal that is compatible with the Company's equipment, but the Company does not guarantee that its services will be suitable for purposes other than voice-grade telephonic communication except as specifically stated in this tariff.

**2.4.2 Station Equipment**

- (A) Terminal equipment of the user's premises and the electric power consumed by such equipment shall be provided by and maintained at the expense of the user. The user is responsible for the provision of wiring or cable to connect its terminal equipment to the Company MPOP.
- (B) The Customer is responsible for ensuring that Customer-provided equipment connected to Company equipment and facilities is compatible with such equipment and facilities. The magnitude and character of the voltages and currents impressed on Company-provided equipment and wiring by connection, operation, or maintenance of such equipment and wiring shall be such as not to cause damage to the Company-provided equipment and wiring or injury to the Company's employees or to other persons. Any additional protective equipment required to prevent such damage or injury shall be provided by the Company at the Customer's expense, subject to prior Customer approval of the equipment expense.

SECTION 2.0 - RULES AND REGULATIONS (CONT'D)

2.4 Customer Equipment and Channels (Cont'd.)

2.4.3 Interconnection of Facilities

- (A) Local Traffic Exchange provides the ability for another local exchange provider to terminate local traffic on the Company's network. In order to qualify for Local Traffic Exchange the call must: (a) be originated by an end user of a company that is authorized by the Tennessee Regulatory Authority to provide local exchange service; (b) originate and terminate within a local calling area of the Company.
- (B) Any special interface equipment necessary to achieve compatibility between the facilities and equipment of the Company used for furnishing Communications Services and the channels, facilities, or equipment of others shall be provided at the Customer's expense.
- (C) Communications Services may be connected to the services or facilities of other communications carriers only when authorized by, and in accordance with, the terms and conditions of the tariffs of the other communications carriers which are applicable to such connections.
- (D) Facilities furnished under this tariff may be connected to Customer provided terminal equipment in accordance with the provisions of this tariff. All such terminal equipment shall be registered by the Federal Communications Commission pursuant to Part 68 of Title 47, Code of Federal Regulations; and all user-provided wiring shall be installed and maintained in compliance with those regulations.

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SECTION 2.0 - RULES AND REGULATIONS (CONT'D)

2.4 Customer Equipment and Channels (Cont'd.)

2.4.4 Inspections

- (A) Upon suitable notification to the Customer, and at a reasonable time, the Company may make such tests and inspections as may be necessary to determine that the Customer is complying with the requirements set forth in Section 2.4.2(B) for the installation, operation, and maintenance of Customer-provided facilities, equipment, and wiring in the connection of Customer-provided facilities and equipment to Company-owned facilities and equipment.
- (B) If the protective requirements for Customer-provided equipment are not being complied with, the Company may take such action as it deems necessary to protect its facilities, equipment, and personnel. The Company will notify the Customer promptly if there is any need for further corrective action. Within ten days of receiving this notice, the Customer must take this corrective action and notify the Company of the action taken. If the Customer fails to do this, the Company may take whatever additional action is deemed necessary, including the suspension of service, to protect its facilities, equipment and personnel from harm.
- (C) If harm to the Company's network, personnel or services is imminent, the Company reserves the right to shut down Customer's service immediately, with no prior notice required.



SECTION 2.0 - RULES AND REGULATIONS (CONT'D)

2.5 Customer Deposits and Advance Payments

2.5.1 Advance Payments

To safeguard its interests, the Company may require a Customer to make an advance payment before services and facilities are furnished, where special construction is involved. The advance payment will not exceed an amount equal to the nonrecurring charge(s) and one (1) month's charges for the service or facilities. In addition, the advance payment may also include an amount equal to the estimated non-recurring charges for the special construction and recurring charges (if any) for a period to be set between the Company and the Customer. The advance payment will be credited to the Customer's initial bill. Advance payments do not accrue interest. An advance payment may be required in addition to a deposit.

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SECTION 2.0 - RULES AND REGULATIONS (CONT'D)

2.5 Customer Deposits and Advance Payments (Cont'd.)

2.5.2 Deposits

- (A) To safeguard its interests, the Company may require the Customer to make a deposit to be held as a guarantee for the payment of charges in accordance with Tennessee Regulatory Authority Rules. A deposit may be required if the Customer's financial condition is not acceptable to the Company or is not a matter of general knowledge. A deposit does not relieve the Customer of the responsibility for the prompt payment of bills on presentation. The deposit will not exceed an amount equal to two and one-half twelfths of the estimated charge for the service for the ensuing twelve months. A deposit may be required in addition to an advance payment.
- (B) Upon discontinuance of service, the Company shall promptly and automatically refund the Customer's deposit plus accrued interest, or the balance, if any, in excess of the unpaid bills including any penalties assessed for service furnished by the Company.
- (C) Deposits will accrue interest annually at the rate per annum in accordance with Tennessee Regulatory Authority Rules. Upon request of the Customer, accrued interest shall be annually credited to the Customer by deducting such interest from the amount of the next bill for service following the accrual date.
- (D) The Company shall annually and automatically refund the deposits of Customers who have paid bills for twelve consecutive months without having had service discontinued for nonpayment or had more than one occasion on which a bill was not paid within the period prescribed and are not then delinquent in payment.

**SECTION 2.0 - RULES AND REGULATIONS (CONT'D)**

**2.6 Payment Arrangements**

**2.6.1 Payment for Services**

The Customer is responsible for the payment of all charges for facilities and services furnished by the Company to the Customer.

The Customer is responsible for the payment of federal excise taxes, state and local sales and use taxes and similar taxes imposed by governmental jurisdictions, all of which shall be separately designated on the Company's invoices. The Company will not separately charge for the Tennessee gross receipts tax on the Company's invoice for local services. Any taxes imposed by a local jurisdiction (e.g., county and municipal) will only be recovered from those Customers residing in the affected jurisdictions.

Certain telecommunications services, as defined in the Tennessee Revised Code, are subject to state sales tax at the prevailing tax rates, if the services originate, or terminate in Tennessee, or both, and are charged to a subscriber's telephone number or account in Tennessee.

**2.6.2 Billing and Collection of Charges**

The Customer is responsible for payment of all charges incurred by the Customer or other users for services and facilities furnished to the Customer by the Company.

- (A) Non-recurring charges are due and payable within thirty (30) days after the date the invoice is mailed to the Customer by the Company.
- (B) The Company shall present invoices for recurring charges monthly to the Customer, in advance of the month in which service is provided, and recurring charges shall be due and payable within thirty (30) days after the date the invoice is mailed to the Customer by the Company. When billing is based upon Customer usage, usage charges will be billed monthly for the preceding billing period.
- (C) When service does not begin on the first day of the month, or end of the last day of the month, the charge for the fraction of the month in which service was furnished will be calculated on a pro rata basis. For this purpose, every month is considered to have thirty (30) days.

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SECTION 2.0 - RULES AND REGULATIONS (CONT'D)

2.6 Payment Arrangements (Cont'd.)

2.6.2 Billing and Collection of Charges (Cont'd.)

- (D) Billing of the Customer by the Company will begin on the Service Commencement Date, which is the day on which the Company notifies the Customer that the service or facility is available for use, except that the Service Commencement Date may be postponed by mutual agreement of the parties, or if the service or facility does not conform to standards set forth in this tariff or the Service Order. Billing accrues through and includes the day that the service, circuit, arrangement or component is discontinued.
- (E) If any portion of the payment is not received by the Company within 30 days of receipt of this bill, or if any portion of the payment is received by the Company in funds which are not immediately available upon presentment, then a late payment charge of 1.5% per month shall be due to the Company. A late payment charge is not applicable to subsequent rebilling of any amount to which a late payment charge has already been applied. Late payment charges are to be applied without discrimination.
- (F) the Customer should notify the Company of any disputed items on an invoice within thirty (30) days of receipt of the invoice. If the Customer and the Company are unable to resolve the dispute to their mutual satisfaction, the Customer may file a complaint with the Tennessee Regulatory Authority in accordance with the Commission's rules and procedure. The address of the Commission is as follows:

Tennessee Regulatory Authority  
460 Robertson Parkway  
Nashville, Tennessee 37243
- (G) If service is disconnected by the Company (in accordance with Section 2.6.3 following) and later re-installed, re-installation of service will be subject to all applicable installation charges. If service is suspended by the Company (in accordance with Section 2.6.3 following) and later restored, restoration of service will be subject to the rates in Section 4.3.

SECTION 2.0 - RULES AND REGULATIONS (CONT'D)

2.6 Payment Arrangements (Cont'd.)

2.6.3 Discontinuance of Service for Cause

The Company may discontinue service for the following reasons provided in this Section 2.6.3. Customers will be provided five (5) days written notice prior to discontinuance unless otherwise indicated.

Upon the Company's discontinuance of service to the Customer under Section 2.6.3(A) or 2.6.3(B), the Company, in addition to all other remedies that may be available to the Company at law or in equity or under any other provision of this tariff, may declare all future monthly and other charges which would have been payable by the Customer during the remainder of the term for which such services would have otherwise been provided to the Customer to be immediately due and payable (discounted to present value at six percent).

- (A) Upon nonpayment of any amounts owing to the Company, the Company may discontinue or suspend service without incurring any liability. No basic residential service shall be disconnected for nonpayment until at least 29 days from the date of the bill and only following proper written notification.
- (B) Upon violation of any of the other material terms or conditions for furnishing service the Company may, discontinue or suspend service without incurring any liability if such violation continues during that period.
- (C) Upon condemnation of any material portion of the facilities used by the Company to provide service to a Customer or if a casualty renders all or any material portion of such facilities inoperable beyond feasible repair, the Company, by notice to the Customer, may discontinue or suspend service without incurring any liability.
- (D) Upon the Customer's insolvency, assignment for the benefit of creditors, filing for bankruptcy or reorganization, or failing to discharge an involuntary petition within the time permitted by law, the Company may immediately discontinue or suspend service without incurring any liability.
- (E) Upon any governmental prohibition or governmental required alteration of the services to be provided or any violation of an applicable law or regulation, the Company may immediately discontinue service without incurring any liability.

**SECTION 2.0 - RULES AND REGULATIONS, (CONTINUED)**

**2.6 Payment Arrangements, (Continued)**

**2.6.3 Discontinuance of Service for Cause**

- (F) Without notice in the event of fraudulent use of the Company's network. The Customer will be liable for all related costs. The Customer will also be responsible for payment of any reconnection charges.
- (G) Without notice in the event of Customer use of equipment or services in such a manner as to adversely affect the Company's service to others.
- (H) Without notice in the event of tampering with the equipment or services furnished by the Company.

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**SECTION 2.0 - RULES AND REGULATIONS, (CONTINUED)**

**2.6 Payment Arrangements, (Continued)**

**2.6.4 Notice to Company for Cancellation of Service**

Customers desiring to terminate service shall provide the Company thirty (30) days notice of desire to terminate service. If special construction is involved, the required notice shall be written.

**2.6.5 Cancellation of Application for Service**

- (A) Where the Company permits the Customer to cancel an application for service prior to the start of service or prior to any special construction, no charges will be imposed except for those specified below.
- (B) Where, prior to cancellation by the Customer, the Company incurs any expenses in installing the service or in preparing to install the service that it otherwise would not have incurred, a charge equal to the costs the Company incurred, less net salvage, shall apply, but in no case shall this charge exceed the sum of the charge for the minimum period of services ordered, including installation charges, and all charges others levy against the Company that would have been chargeable to the Customer had service begun.
- (C) Where the Company incurs any expense in connection with special construction, or where special arrangements of facilities or equipment have begun, before the Company receives a cancellation notice, a charge equal to the costs incurred, less net salvage, may apply. In such cases, the charge will be based on such elements as the cost of the equipment, facilities, and material, the cost of installation, engineering, labor, and supervision, general and administrative expense, other disbursements, depreciation, maintenance, taxes, provision for return on investment, and any other costs associated with the special construction or arrangements.
- (D) The special charges described in 2.6.5(A) through 2.6.5(C) will be calculated and applied on a case-by-case basis.

SECTION 2.0 - RULES AND REGULATIONS, (CONTINUED)

**2.6 Payment Arrangements, (Continued)**

**2.6.6 Changes in Services Requested**

If the Customer makes or requests material changes in circuit engineering, equipment specifications, service parameters, premises locations, or otherwise materially modifies any provision of the application for service, the Customer's installation fee shall be adjusted accordingly.

**2.6.7 Bad Check Charge**

A service charge equal to \$20.00 will be assessed for all checks returned by a bank or other financial institution for: Insufficient or uncollected funds, closed account, apparent tampering, missing signature or endorsement, or any other insufficiency or discrepancy necessitating return of the instrument at the discretion of the drawee bank or other financial institution.

**2.7 Allowances for Interruptions in Service**

**2.7.1 General**

- (A) A credit allowance will be given when service is interrupted, except as specified in Section 2.7.2 following. A service is interrupted when it becomes inoperative to the Customer, e.g., the Customer is unable to transmit or receive, because of a failure of a component furnished by the Company under this tariff.
- (B) An interruption period begins when the Customer reports a service, facility or circuit to be inoperative and, if necessary, releases it for testing and repair. An interruption period ends when the service, facility or circuit is operative.



**SECTION 2.0 - RULES AND REGULATIONS, (CONTINUED)**

**2.7 Allowances for Interruptions in Service, (Continued)**

**2.7.1 General (Continued)**

- (C) If the Customer reports a service, facility or circuit to be interrupted but declines to release it for testing and repair, or refuses access to its premises for test and repair by the Company, the service, facility or circuit is considered to be impaired but not interrupted. No credit allowances will be made for a service, facility or circuit considered by the Company to be impaired.
- (D) The Customer shall be responsible for the payment of service charges as set forth herein for visits by the Company's agents or employees to the premises of the Customer when the service difficulty or trouble report results from the use of equipment or facilities provided by any party other than the Company, including but not limited to the Customer.

**2.7.2 Limitations of Allowances**

No credit allowance will be made for any interruption in service:

- (A) Due to the negligence of or noncompliance with the provisions of this tariff by any person or entity other than the Company, including but not limited to the Customer;
- (B) Due to the failure of power, equipment, systems, connections or services not provided by the Company;
- (C) Due to circumstances or causes beyond the reasonable control of the Company;
- (D) During any period in which the Company is not given full and free access to its facilities and equipment for the purposes of investigating and correcting interruptions;

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**SECTION 2.0 - RULES AND REGULATIONS, (CONTINUED)**

**2.7 Allowances for Interruptions in Service, (Continued)**

**2.7.2 Limitations of Allowances**

- (E) A service will not be deemed to be interrupted if a Customer continues voluntarily make use of the service. If the service is interrupted, the Customer can get a service credit, use another means of communications provided by the Company (pursuant to Section 2.7.3), or utilize another service provider;
- (F) During any period when the Customer has released service to the Company for maintenance purposes or for implementation of a Customer order for a change in service arrangements;
- (G) That occurs or continues due to the Customer's failure to authorize replacement of any element of special construction; and
- (H) That was not reported to the Company within thirty (30) days of the date that service was affected.

**2.7.3 Use of Another Means of Communications**

If the Customer elects to use another means of communications during the period of interruption, the Customer must pay the charges for the alternative service used.

SECTION 2.0 - RULES AND REGULATIONS, (CONTINUED)

2.7 Allowances for Interruption in Service, (Continued)

2.7.4 Application of Credits for Interruptions in Service

- (A) Credits for interruptions in service that is provided and billed on a flat rate basis for a minimum period of at least one month, beginning on the date that billing becomes effective, shall in no event exceed an amount equivalent to the proportionate charge to the Customer for the period of service during which the event that gave rise to the claim for a credit occurred. A credit allowance is applied on a pro rata basis against the rates specified hereunder and is dependent upon the length of the interruption. Only those facilities on the interrupted portion of the circuit will receive a credit.
- (B) For calculating credit allowances, every month is considered to have thirty (30) days.
- (C) A credit allowance will be given for interruption of thirty (30) minutes or more. Two or more interruptions of fifteen (15) minutes or more during any one 24-hour period shall be combined into one cumulative interruption.

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SECTION 2.0 - RULES AND REGULATIONS, (CONTINUED)

2.7 Allowances for Interruption in Service, (Continued)

2.7.4 Application of Credits for Interruptions in Service, (Continued)

(D) Interruptions of 24 Hours or Less

Length of Interruption	Amount of Service to be Credited
Less than 30 minutes	None
30 minutes up to but not including 3 hours	1/10 Day
3 hours up to but not including 6 hours	1/5 Day
6 hours up to but not including 9 hours	2/5 Day
9 hours up to but not including 12 hours	3/5 Day
12 hours up to but not including 15 hours	4/5 Day
15 hours up to but not including 24 hours	One Day

(E) Interruptions Over 24 Hours and Less Than 72 Hours

Interruptions over 24 hours and less than 72 hours will be credited 1/5 day for each 3-hour period or fraction thereof. No more than one full day's credit will be allowed for any period of 24 hours.

(F) Interruptions Over 72 Hours

Interruptions over 72 hours will be credited 2 days for each full 24-hour period. No more than thirty (30) days credit will be allowed for any one-month period.

SECTION 2.0 - RULES AND REGULATIONS, (CONTINUED)

**2.7 Allowances for Interruption in Service, (Continued)**

**2.7.5 Limitations on Allowances**

No credit allowance will be made for:

- (A) interruptions due to the negligence of or noncompliance with the provisions of this tariff by the Customer, authorized user or joint user;
- (B) interruptions due to the negligence of any person other than the Company, including but not limited to the Customer;
- (C) interruptions of service during any period in which the Company is not given full access to its facilities and equipment for the purpose of investigating and correcting interruptions;
- (D) interruptions of service during a period in which the Customer continues to use the service on an impaired basis;
- (E) interruptions of service during any period when the Customer has released service to the Company for maintenance purposes or for implementation of a Customer order for a change in service arrangements;
- (F) interruption of service due to circumstances or causes beyond the reasonable control of Company; and
- (G) that occur or continue due to the Customer's failure to authorize replacement of any element of special construction.

**2.7.6 Cancellation For Service Interruption**

Cancellation or termination for service interruption is permitted only if any circuit experiences a single continuous outage of eight (8) hours or more or cumulative service credits equaling sixteen(16) hours in a continuous twelve (12) month period. The right to cancel service under this provision applies only to the single circuit which has been subject to the outage or cumulative service credits.

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SECTION 2.0 - RULES AND REGULATIONS, (CONTINUED)

**2.8 Cancellation of Service/Termination Liability**

If a Customer cancels a service order or terminates services before the completion of the term for any reason other than a service interruption (as defined in Section 2.7.1) or where the Company breaches the terms in the service contract, Customer may be requested by the Company to pay to Company termination liability charges, which are defined below. These charges shall become due and owing as of the effective date of the cancellation or termination and be payable within the period set forth in Section 2.6.2.

**2.8.1 Termination Liability**

Customer's termination liability for cancellation of service shall be equal to:

- (A) all unpaid non-recurring charges reasonably expended by Company to establish service to Customer, plus;
- (B) any disconnection, early cancellation or termination charges reasonably incurred and paid to third parties by Company on behalf of Customer, plus;
- (C) all recurring charges specified in the applicable Service Order for the balance of the then current term discounted at the prime rate announced in the *Wall Street Journal* on the third business day following the date of cancellation;
- (D) minus a reasonable allowance for costs avoided by the Company as a direct result of Customer's cancellation.

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SECTION 2.0 - RULES AND REGULATIONS, (CONTINUED)

2.9 Reserved for Future Use

2.10 Transfers and Assignments

Neither the Company nor the Customer may assign or transfer its rights or duties in connection with the services and facilities provided by the Company without the written consent of the other party, except that the Company may assign its rights and duties to a) any subsidiary, parent company or affiliate of the Company; b) pursuant to any sale or transfer of substantially all the assets of the Company; or c) pursuant to any financing, merger or reorganization of the Company.

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SECTION 2.0 - RULES AND REGULATIONS, (CONTINUED)

**2.12 Notices and Communications**

- 2.12.2** The Customer shall designate on the service order an address to which the Company shall mail or deliver all notices and other communications, except that Customer may also designate a separate address to which the Company's bills for service shall be mailed.
- 2.12.3** The Company shall designate on the service order an address to which the Customer shall mail or deliver all notices and other communications, except that Company may designate a separate address on each bill for service to which the Customer shall mail payment on that bill.
- 2.12.4** Except as otherwise stated in this tariff, all notices or other communications required to be given pursuant to this tariff will be in writing. Notices and other communications of either party, and all bills mailed by the Company, shall be presumed to have been delivered to the other party on the third business day following placement of the notice, communication or bill with the U.S. Mail or a private delivery service, prepaid and properly addressed, or when actually received or refused by the addressee, whichever occurs first.
- 2.12.5** The Company or the Customer shall advise the other party of any changes to the addresses designated for notices, other communications or billing, by following the procedures for giving notice set forth herein.

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**SECTION 3.0 - SERVICE AREAS**

**3.1 Exchange Service Areas**

Local exchange services are provided, subject to availability of facilities and equipment, in areas currently served by the following Incumbent LECs: 1) BellSouth

**3.2 Rate Classes**

Charges for local services provided by the Company may be based, in part, on the Rate Class associated with the Customers End Office. The Rate Class is determined by the total access lines and PBX trunks in the local calling area which can be reached from each End Office.

In the event that an Incumbent LEC or the Tennessee Regulatory Authority reclassifies an exchange from one Rate Class to another, the reclassification will also apply to customers who purchase services under this tariff. Local calling areas and Rate Class assignments are equivalent to those areas and groups specified in BellSouth's Tennessee General Local Exchange Service Tariff.

**3.3 Reserved for Future Use**

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**SECTION 4.0 - SERVICE CHARGES AND SURCHARGES**

**4.1 Service Order and Change Charges**

Non-recurring charges apply to processing Service Orders for new service, for changes in service, and for changes in the Customer's primary interexchange carrier (PIC) code.

	<u>Residence</u>	<u>Business</u>
Line Connection Charge		
First Line	\$41.50	\$58.50
Each Additional Line	\$18.00	\$31.00
Line Change Charge		
First Line	\$28.00	\$47.00
Each Additional Line	\$15.00	\$15.00

**4.2 Maintenance Visit Charges**

Maintenance Visit Charges apply when the Company dispatches personnel to a Customer's premises to perform work necessary for installing new service, effecting changes in service or resolving troubles reported by the Customer when the trouble is found to be caused by the Customer's facilities.

Maintenance Visit Charges will be credited to the Customer's account in the event trouble is not found in the Company facilities, but the trouble is later determined to be in those facilities.

The time period for which the Maintenance Visit Charges is applied will commence when Company personnel are dispatched at the Customer premises and end when work is completed. The rates for Maintenance of Service vary by time per Customer request.

<u>Duration of time, per technician</u>	<u>Residential</u>	<u>Business</u>
Initial 15 minute increment	\$28.00	\$28.00
Each Additional 15 minute increment	\$11.00	\$11.00

**4.3 Restoration of Service**

A restoration charge applies to the restoration of suspended service and facilities because of nonpayment of bills and is payable at the time that the restoration of the suspended service and facilities is arranged. The restoration charge does not apply when, after disconnection of service, service is later re-installed.

	<u>Residence</u>	<u>Business</u>
Per occasion	\$15.00	\$35.00

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**SECTION 5.0 - NETWORK SERVICES DESCRIPTIONS**

**5.1 General**

**5.1.1 Services Offered**

The following Network Services are available to residence/business Customers and for resale by other carriers certificated by the Tennessee Regulatory Authority:

Standard Residence Line Service  
Standard Business Line Service  
PBX Trunk Service  
Direct Inward Dial (DID) Service  
Optional Calling Features

The following services are available to residence/business Customers and are not offered on a resale basis as of the effective date of this page.

Listing Services (including Non Published and Non Listed Services)  
Directory Assistance  
Miscellaneous Services (including Vanity Numbers and Number Portability)

**5.1.2 Application of Rates and Charges**

All services offered in this tariff are subject to service order and change charges where the Customer requests new services or changes in existing services, as well as indicated Non-Recurring and Monthly Recurring Charges. Charges for local calling services may be assessed on a measured rate basis and are additional to monthly recurring charges shown for Business or Residence lines, PBX Trunks, DID Trunks and Digital/DS1 service.

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SECTION 5.0 - NETWORK SERVICES DESCRIPTIONS, (CONT'D)

5.1 General (Continued)

5.1.3 Emergency Services Calling Plan

Access (at no additional charge) to the local operator or emergency services bureau by dialing 0- or 9-1-1 is offered at no charge to the Customer.

Message toll telephone calls, to governmental emergency service agencies as set forth in (A) following, having primary or principal responsibility with respect to the provision of emergency services to persons and property in the area from which the call is made, meeting the definition and criteria of an emergency call as set forth in (B) following are offered at no charge to Customers:

Governmental fire fighting, Tennessee State Highway Patrol, police, and emergency squad service (as designated by the appropriate governmental agency) qualify as governmental emergency service agencies provided they answer emergency service calls on a personally attended (live) twenty-four (24) hour basis, three hundred sixty-five (365) days a year, including holidays.

An emergency is an occurrence or set of circumstances in which conditions pose immediate threat to human life, property, or both and necessitate that prompt action be taken. An emergency call is an originated call of short duration to a governmental emergency services agency in order to seek assistance for such an emergency.

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SECTION 5.0 - NETWORK SERVICES DESCRIPTIONS (CONTINUED)

**5.2 Call Timing for Usage Sensitive Services**

Where charges for a service are specified based on the duration of use, such as the duration of a telephone call, the following rules apply:

- 5.2.1 Calls are measured in durational increments identified for each service. All calls, which are fractions of a measurement increment, are rounded-up to the next whole unit.
- 5.2.2 Timing on completed calls begins when the call is answered by the called party. Answering is determined by hardware answer supervision in all cases where this signaling is provided by the terminating local carrier and any intermediate carrier(s).
- 5.2.3 Timing terminates on all calls when the calling party hangs up or the Company's network receives an off-hook signal from the terminating carrier.
- 5.2.4 Calls originating in one time period and terminating in another will be billed in proportion to the rates in effect during different segments of the call.
- 5.2.5 All times refer to local time.

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SECTION 5.0 - NETWORK SERVICES DESCRIPTIONS (CONTINUED)

**5.3 Distance Calculations**

Where charges for a service are specified based upon distance, the following rules apply:

**5.3.1** Distance between two points is measured as airline distance between the rate centers of the originating and terminating telephone lines. The rate center is a set of geographic coordinates, as referenced in Local Exchange Routing Guide issued by Bellcore, associated with each NPA-NXX combination (where NPA is the area code and NXX is the first three digits of a seven-digit telephone number). Where there is not telephone number associated with an access line on the Company's network (such as a dedicated 800 or WATS access line), the Company will apply the rate center of the Customer's main billing telephone number.

**5.3.2** The airline distance between any two rate centers is determined as follows:

Step 1: Obtain the "V" (vertical) and "H" (horizontal) coordinates for each Rate Center from the above-referenced Bellcore document.

Step 2: Computer the difference between he "V" coordinate of the two rate centers; and the difference between the two "H" coordinates.

Step 3: Square each difference obtained in step (b) above.

Step 4: Add the square of the "V" difference and the square of the "H" difference obtained in step C) above.

Step 5: Divide the sum of the squares by 10. Round to the next higher whole number if any fraction is obtained.

Step 6: Obtain the square root of the whole number result obtained above. Round to the next higher whole number if any fraction is obtained. This is the airline mileage.

**5.3.3** The formula for distance calculations is:

$$(V_1 - V_2)^2 + (H_1 - H_2)^2$$

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SECTION 5.0 - NETWORK SERVICES DESCRIPTIONS (CONTINUED)

5.4 Rate Periods for Time of Day Sensitive Services

5.4.1 For time of day, usage sensitive services, the following rate periods apply unless otherwise specified in this tariff.

	MON	TUES	WED	THUR	FRI	SAT	SUN
8:00 AM TO							
5:00 PM*							
5:00 PM							
TO							
11:00 PM*							
11:00 PM TO							
8:00 AM*							

DAYTIME RATE PERIOD

EVENING RATE PERIOD

EVE

NIGHT/WEEKEND RATE PERIOD

\*Up to but not including.

5.4.2 Calls are billed based on the rate in effect for the actual time period(s) during which the call occurs. Calls that cross rate period boundaries are billed the rates in effect in that boundary for each portion of the call, based on the time of day at the Customer location.

5.4.3 For services subject to holiday discounts, the following are Company recognized national holidays, determined at the location of the calling station. The evening rate is used on national holidays, unless a lower rate normally would apply.

New Year's Day  
Memorial Day  
Independence Day  
Thanksgiving Day  
Christmas Day

January 1  
As Federally Observed  
July 4  
As Federally Observed  
December 25

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**SECTION 5.0 - NETWORK SERVICES DESCRIPTIONS (CONTINUED)**

**5.5 Standard Residence Line**

A Standard Residence Line provides the Customer with a single, analog, voice-grade telephonic communications channel, which can be used to place or receive one call at a time. Standard Residence Lines are provided for the connection of Customer-provided wiring and single station sets or facsimile machines. An optional per line Hunting feature is available for multi-line Customers which routes a call to an idle station line in a prearranged group when the called station line is busy.

**5.6 Standard Business Line**

The Standard Business Line provides a Customer with a single, analog, voice-grade telephonic communications channel, which can be used to place or receive one call at a time. Standard Business Lines are provided for the connection of Customer-provided wiring and single station sets or facsimile machines. An optional per line Hunting feature is available for multi-line Customers which routes a call to an idle station line in a prearranged group when the called station line is busy.

**5.7 PBX Trunk Service**

Basic PBX Trunk Service provides a Customer with a single, voice-grade telephonic communications channel, which can be used to place or receive one call at a time. Basic Trunks are provided for connection of Customer-provided private branch exchanges (PBX) to the public switched telecommunications network. Each Basic PBX Trunk is provided with touch-tone signaling and may be configured into a hunt group at no additional charge with other Company-provided Basic PBX Trunks. The signal is an analog signal at the DS0 level.

**5.8 Direct Inward Dialing (DID) Service**

Direct Inward Dialing ("DID") permits calls incoming to a PBX system or other Customer Premises Equipment to be routed to a specific station without the assistance of an attendant. DID calls are routed directly to the station associated with the called number. DID service as offered by the Company provides the necessary trunks, telephone numbers, and out-pulsing of digits to enable DID service at a Customer's location. DID service requires special PBX software and hardware not provided by the Company. Such hardware and software is the responsibility of the Customer.

**5.9 Reserved for Future Use**

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**SECTION 5.0 - NETWORK SERVICES DESCRIPTIONS (CONTINUED)**

**5.10 Reserved for Future Use**

**5.11 Optional Calling Features**

The features listed in Section 5.11.1 are offered by the Company to Residential and Business Customers. Refer to Price Lists in Sections 6 and 7 of this tariff for specific features offered with each type of local exchange service.

**5.11.1 Features Descriptions**

- (A) **Flexible Call Forwarding:** Provides end-user control for call forwarding capabilities via dial-accessed voice prompt menus. Customers may forward calls to a primary local or long distance. The end-user may specify a secondary location for routing of go unanswered at the forward-to location or reach a busy signal. This secondary location may be another telephone number, pager or voice messaging service. Other capabilities included with this feature include:

Speed Forwarding;  
Priority Screening;  
Ring Control; and  
Timed Forwarding.

It is the responsibility of the Customer to subscribe to the telephone number, pager or voice messaging service used as the secondary location.

- (B) **Flexible Call Forwarding with Audio Calling Name:** Provides all of the functionality of Enhanced Call Forwarding. Also permits the end-user to receive the Directory Name of the party's whose call was forwarded to primary number. In some situations, the end-user may hear the calling party's city and state or telephone number, depending on available call data.
- (C) **Flexible Call Forwarding Plus:** Provides all of the functionality of Enhanced Call Forwarding. Also includes an additional telephone number with directory listing and distinctive ringing for calls placed to the additional number. Enhanced Call Forwarding Plus allows parties to reach the end-user's location when FCF is active and all calls to the end-users main telephone number would normally forward. Calls to the additional number do not forward even when Enhanced Call Forwarding is active.

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SECTION 5.0 - NETWORK SERVICES DESCRIPTIONS (CONTINUED)

5.11 Optional Calling Features, (continued)

5.11.1 Feature Descriptions, (continued)

- (D) **Flexible Call Forwarding Plus with Audio Calling Name:** Provides all of the functionality of Enhanced Call Forwarding Plus including the additional telephone number with listing and distinctive ringing. Also permits the end-user to receive the Directory Name of the party's whose call was forwarded to primary number. In some situations, the end-user may hear the calling party's city and state or telephone number, depending on available call data.
- (E) **Call Forwarding Variable:** Permits the end-user to automatically forward (transfer) all incoming calls to another telephone number, and to restore it to normal operation at their discretion. The end-user must dial an activation code from his/her exchange line along with the forward-to number in order to turn the feature on. A separate code is dialed by the end-user to deactivate the feature.
- (F) **Call Forwarding Variable, Remote Access:** Permits the end-user to automatically forward (transfer) all incoming calls to another telephone number, and to restore it to normal operation at their discretion. The end-user must dial an activation code along with the forward-to number in order to turn the feature on. A separate code is dialed by the end-user to deactivate the feature. Feature activation may be performed from the end-user's exchange line or remotely from some other line. Remote access requires the end-user to (1) dial a special access number 2) enter their seven-digit telephone number and 3) enter a personal identification number prior to forwarding their calls.
- (G) **Call Forwarding Don't Answer, Basic:** Permits the forwarding of incoming calls when the end-user's line remains unanswered after a pre-designated ringing interval. The ringing interval before forwarding and the forward-to number are fixed by the service order.
- (H) **Call Forwarding Don't Answer w/Ring Control:** Permits the forwarding of incoming calls when the end-user's line remains unanswered after a pre-designated ringing interval. The forward-to number is fixed by the service order. However, the end-user has the ability to change the time interval before forwarding occurs at his/her discretion.

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**SECTION 5.0 - NETWORK SERVICES DESCRIPTIONS (CONTINUED)**

**5.11 Optional Calling Features, (continued)**

**5.11.1 Feature Descriptions, (continued)**

- (I) **Call Forwarding Don't Answer w/Customer Control:** Permits the forwarding of incoming calls when the end-user's line remains unanswered after a pre-designated ringing interval. The ringing interval before forwarding and the forward-to number are fixed by the service order. However, the end-user has the ability to turn the feature on or off at his/her discretion.
- (J) **Call Forwarding Busy Line, Basic:** Permits the forwarding of incoming calls when the end-user's line is busy. The forwarded number is fixed by the end-user service order.
- (K) **Call Forwarding Busy Line w/Customer Control:** Permits the forwarding of incoming calls when the end-user's line is busy. The forwarded number is fixed by the end-user service order. However, the end-user has the ability to turn the feature on or off at his/her discretion.
- (L) **Call Waiting - Basic:** Call Waiting provides a tone signal to indicate to a Customer already engaged in a telephone call that a second caller is attempting to dial in. It permits the Customer to place the first call on hold, answer the second call and then alternate between both callers. Cancel Call Waiting is provided with the feature and allows a Call Waiting end-user to disable the Call Waiting feature for the duration of a single outgoing telephone call. Cancel Call Waiting is activate by dialing a special code prior to placing a call, and is automatically deactivated when the Customer disconnects from the call.

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**SECTION 5.0 - NETWORK SERVICES DESCRIPTIONS (CONTINUED)**

**5.11 Optional Calling Features, (continued)**

**5.11.1 Feature Descriptions, (continued)**

- (M) **Call Waiting -- Deluxe:** Allows the end-user to control the treatment applied to incoming calls while the Customer is off-hook on an existing call. This feature includes the capabilities of Call Waiting Basic plus additional call treatment options. Treatment options offered with Call Waiting Deluxe include:

Answer the waiting call and placing the first party on hold;  
Answer the waiting call and disconnecting from the first party;  
Direct the waiting caller to hold via a recording  
Forward the waiting caller to another location (e.g., voice mailbox or telephone answering service)

Full utilization of Call Waiting Deluxe requires specialized CPE not provided by the Company. It is the responsibility of the Customer to provide the necessary CPE. The end-user must have Caller ID Basic or Deluxe for display of calling party identification information for waiting calls. The end-user must have a Call Forwarding don't Answer feature active in order to forward a waiting call to another location.

- (N) **Call Waiting - Deluxe with Conferencing:** Provides all of the functionality of Call Waiting Deluxe. Also permits the end-user to conference a waiting call with an existing call (first party) and, if desired, subsequently drop either leg of the conferenced call.
- (O) **Caller ID - Basic:** Permits the end-user to view a Directory Number of the calling party on incoming telephone calls. Information is displayed on a specialized CPE not provided by the Company. The feature also provides the date and time of each incoming call. It is the responsibility of the Customer to provide the necessary CPE.

SECTION 5.0 - NETWORK SERVICES DESCRIPTIONS (CONTINUED)

5.11 Optional Calling Features, (continued)

5.11.1 Feature Descriptions, (continued)

- (P) **Caller ID - Deluxe:** Permits the end-user to view a Directory Name and Directory Number of the calling party on incoming telephone calls. Information is displayed on a specialized CPE not provided by the Company. The feature also provides the date and time of each incoming call. It is the responsibility of the Customer to provide the necessary CPE. In some situations, the calling party's city and state may be displayed rather than a Directory Name, depending on available call data.
- (Q) **Anonymous Call Rejection:** Permits the end-user to automatically reject incoming calls when the call originates from a telephone number which has blocked delivery of its calling number (see Calling Number Delivery Blocking). When active, calls from private numbers will be routed to a special announcement then terminated. The feature may be turned on or off by the end-user by dialing the appropriate feature control code. Anonymous Call Rejection is offered as a stand-alone feature or as an add-on to Caller ID Deluxe.
- (R) **Call Block:** Allows the end-user to automatically block incoming calls from up to six end-user pre-selected telephone numbers programmed into the feature's screening list. Callers whose numbers have been blocked will hear a recorded message stating that their call has been blocked. The end-user controls when the feature is active, and can add or remove calling numbers from the feature's screening list.
- (S) **Call Return:** Allows the Customer to return a call to the last incoming call whether answered or not. Upon activation, it will redial the number automatically and continue to check the number every 45 seconds for up to 30 minutes if the number is busy. The Customer is alerted with a distinctive ringing pattern when the busy number is free. When the Customer answers the ring, the call is then completed. The calling party's number will not be delivered or announced to the call recipient under any circumstances.

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SECTION 5.0 - NETWORK SERVICES DESCRIPTIONS (CONTINUED)

5.11 Optional Calling Features, (continued)

5.11.1 Feature Descriptions, (continued)

- (T) **Call Selector:** Allows a Customer to assign a maximum of 15 telephone numbers to a special list. The Customer will hear a distinctive ring when calls are received from telephone numbers on that list.
- (U) **Call Tracing:** Allows the tracing of nuisance calls to a specified telephone number suspected of originating from a given local office. The tracing is activated upon entering the specified dial code. The originating telephone number, outgoing trunk number or terminating number, and the time and date are generated for every call to the specified telephone number can then be identified.
- (V) **Calling Number Delivery Blocking:** Prevents the delivery, display and announcement of the end-user's Directory Number and Directory Name on all calls dialed from an exchange service equipped with this option. When active, the end-user's telephone name and number will not appear on the called party's Caller ID CPE or be disclosed in another way. The feature is available on a per call or per line basis. With per call Calling Number Delivery Blocking, it is necessary for the end-user to dial an activation code prior to placing the call. With the per line version of the feature, all calls are placed with the end-user's number blocked. Per line end-users must dial an activation code prior to utilization.
- (W) **Message Waiting Indication:** Provides the end-user with an audible (stutter dial tone) or visual (lamp or other CPE display) indication that messages are waiting to be retrieved. Message Waiting Indication can only be activated/deactivated by a voice mailbox or other voice messaging service provided by the Company or third party. It is the responsibility of the Customer to subscribe to a compatible voice messaging service. Visual Message Waiting Indication requires specialized CPE not provided by the Company. It is the responsibility of the Customer to provide the necessary CPE.

SECTION 5.0 - NETWORK SERVICES DESCRIPTIONS (CONTINUED)

5.11 Optional Calling Features, (continued)

5.11.1 Feature Descriptions, (continued)

- (X) **Multiple Directory Number Distinctive Ringing:** This feature allows an end user to determine the source of an incoming call from a distinctive ring. The end user may have up to two additional numbers assigned to a single line (i.e. Distinctive Ringing - First Number and Distinctive Ringing - Second Number). The designated primary number will receive a normal ringing pattern; other numbers will receive distinctive ringing patterns. The pattern is based on the telephone number that the calling party dials.
- (Y) **Preferred Call Forwarding:** Permits the end-user to automatically forward to another number calls received from up to six end-user pre-selected telephone numbers programmed into the features screening list. The end-user controls when the feature is active, the forward-to-number and can add or remove calling numbers from the feature's screening list.
- (Z) **Repeat Dialing:** Permits the end-user to have calls automatically redialed when the first attempt reaches a busy number. The line is checked every 45 seconds for up to 30 minutes and alerts the Customer with a distinctive ringing pattern when the busy number and the Customer's line are free. The Customer can continue to make and receive calls while the feature is activated. The following types of calls cannot be reached using Repeat Dialing:

- Calls to 800 Service numbers
- Calls to 900 Service numbers
- Calls preceded by an interexchange carrier access code
- International Direct Distance Dialed calls
- Calls to Directory Assistance
- Calls to 911

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**SECTION 5.0 - NETWORK SERVICES DESCRIPTIONS (CONTINUED)**

**5.11 Optional Calling Features, (continued)**

**5.11.1 Feature Descriptions, (continued)**

- (AA) **Speed Calling:** Permits the Customer to place calls to other telephone numbers by dialing a one or two digit code rather than the complete telephone number. The feature is available as either an eight (8) code list or a thirty (30) code list. Code lists may include local and/or toll telephone numbers. The Customer has the ability to add or remove telephone numbers and codes to/from the speed calling list without assistance from the Company.
- (AB) **Three Way Calling:** Permits the end-user to add a third party to an established connection. When the third party answers, a two-way conversation can be held before adding the original party for a three-way conference. The end-user initiating the conference controls the call and may disconnect the third party to reestablish the original connection or establish a connection to a different third party. The feature may be used on both outgoing and incoming.



**SECTION 5.0 - NETWORK SERVICES DESCRIPTIONS (CONTINUED)**

**5.12 Listing Services**

For each Customer of Company-provided Exchange Service(s), the Company shall arrange for the listing of the Customer's main billing telephone number in the directory(ies) published by the dominant Local Exchange Carrier in the area at no additional charge. At a Customer's option, the Company will arrange for additional listings for an additional charge.

**5.12.1 Non-Published Service**

This optional service provides for suppression of printed and recorded directory listings. A Customer's name and number do not appear in printed directories or Directory Assistance Bureau records.

**5.12.2 Non-Listed Service**

This optional service provides for suppression of printed directory listings only. Parties may still obtain the Customer's number by calling the Directory Assistance Bureau.

**5.13 Directory Assistance**

Provides for identification of telephone directory numbers, via an operator or automated platform. Customers are provided with a maximum of 2 listings per each call to Directory Assistance.

**5.14 Miscellaneous Services**

**5.14.1 Pay Per Call Blocking/Unblocking**

This service provides the option of blocking, or subsequent unblocking, all 900 and 976 calls on a per line basis. The Company will provide for per-line blocking where the Company's switching facilities permit.

**5.14.2 Presubscription Services**

This service provides for the Presubscription of local exchange lines provided by the Company to the intraLATA and interLATA long distance carrier(s) selected by the Customer.

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SECTION 6.0 - RESERVED FOR FUTURE USE

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SECTION 7.0 - LOCAL RESALE SERVICES PRICE LIST

7.1 General

Services provided in this tariff section are available on a Resale Service basis. Local Resale Services are provided through the use of resold switching and transport facilities obtained from Other Telephone Companies.

The rates, terms and conditions set forth in the section are applicable where the Company provides specified local exchange services to Customers through resale of local exchange services.

All rates set forth in this Section are subject to change and may be changed by the Company pursuant to notice requirements established by the Tennessee Regulatory Authority. The rates, terms and conditions set forth in this Section are applicable as of the effective date hereof and will not apply to any Customer whose services may have been provisioned through resale of 's local exchange services, in whole or in part, prior to the effective date hereof.

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SECTION 7.0 - LOCAL EXCHANGE SERVICES PRICE LIST, (CONTINUED)

7.2 Standard Residence Local Exchange Service

Standard Residence Local Exchange Service provides the Customer with a single, analog, voice-grade telephonic communications channel, which can be used to place or receive one call at a time. Standard Residence Local Exchange Service lines are provided for the connection of Customer-provided wiring, telephones, facsimile machines or other station equipment. An optional per line Hunting feature is available for multi-line Customers, which routes a call to the next idle line in a prearranged group when the called line is busy.

Local exchange service lines and trunks are provided on a single party (individual) basis only. No multi-party lines are provided. Service is available on a flat rate, measured rate or message rate basis depending on the service plan selected by the Customer. Not all service plans will be available in all areas.

Recurring charges for Standard Residence Local Exchange Service are billed monthly in advance. Usage charges if applicable are billed in arrears. Usage charges may apply for calls placed from the Customer's line. No usage charges will apply to calls received by the Customer. Non-recurring charges for installation or rearrangement of service are billed on the next month's bill immediately following work performed by the Company.

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SECTION 7.0 - LOCAL EXCHANGE SERVICES PRICE LIST (CONTINUED)

7.2 Standard Residence Local Exchange Service (Continued)

7.2.1 Monthly Recurring Charges

The following charges apply to Standard Residence Local Exchange Service lines per month. Rates and charges do not include Touch-tone Service. The rates and charges below apply to service provided on a month-to-month basis.

BellSouth Area RATE CLASS	SERVICE TYPE		
	Flat Rate	Measured Rate	RegionServ
Rate Class 1	\$7.55	\$5.30	\$4.50
Rate Class 2	\$8.50	\$5.95	\$4.50
Rate Class 3	\$9.05	\$6.35	\$4.50
Rate Class 4	\$11.85	\$8.30	\$5.50
Rate Class 5	\$12.15	\$8.50	\$5.50
Rate Class 1C	\$10.30	\$7.20	N/A
Rate Class 2B	\$9.00	\$6.30	N/A
Rate Class 2C	\$9.95	\$6.95	N/A
Rate Class 2D	\$9.05	\$6.35	N/A
Rate Class 3B	\$9.35	\$6.55	N/A

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SECTION 7.0 - LOCAL EXCHANGE SERVICES PRICE LIST (CONTINUED)

7.2 Standard Residence Local Exchange Service (Continued)

7.2.2 Usage Sensitive Charges and Allowances

(A) Flat Rate Service

No measured or message charges apply to calls placed or received from Flat Rate service lines. Customers receive unlimited calling within their local calling area.

(B) Measured Service

Customers subscribing to Measured Service will be charged a monthly recurring charge and will be charged a per minute rate for all local outgoing calls. Local usage is billed in arrears.

BellSouth Area		
	First Minute	Add'l Minute
Day Period	\$0.04	\$0.02
Evening Period	\$0.026	\$0.013
Night Period	\$0.016	\$0.008

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SECTION 7.0 - LOCAL EXCHANGE SERVICES PRICE LIST (CONTINUED)

7.2 Standard Residence Local Exchange Service, (Continued)

7.2.2 Usage Sensitive Charges and Allowances, (Continued)

(C) RegionServ Service

RegionServ is an enhanced form of measured service for measured calling to the standard local calling area and all wire centers within 40 miles. Customers subscribing to RegionServ Service will be charged a monthly recurring charge and a per minute charge is applied to local calls placed from the Customer's line. Local usage will be billed in arrears. Peak time is Monday to Friday from 7:00am to 6:59pm. Off-Peak time is all day Saturday and Sunday and Monday to Friday 7:00pm to 6:59am.

BellSouth Area

BAND	PEAK MINUTE	OFF-PEAK MINUTE
Band A (Local Calling)	\$0.02	\$0.01
Band B (17-30 miles)	\$0.05	\$0.025
Band C (31-40 miles)	\$0.10	\$0.05

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SECTION 7.0 - LOCAL EXCHANGE SERVICES PRICE LIST (CONTINUED)

7.2 Standard Residence Local Exchange Service, (Continued)

7.2.3 Non-Recurring Charges

Non-recurring charges apply to each line installed for the Customer. Non-recurring charges are in addition to applicable service order charges contained in Section 4 of this tariff. All such charges will appear on the next bill following installation of the service.

Non-recurring charges for installation of Residential lines are:

BellSouth Area	
First Line	\$41.50
Each Additional Line	\$18.00

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**SECTION 7.0 - LOCAL EXCHANGE SERVICES PRICE LIST (CONTINUED)**

**7.3 Standard Business Local Exchange Service**

Standard Business Local Exchange Service provides the Customer with a single, analog, voice-grade telephonic communications channel, which can be used to place or receive one call at a time. Standard Business Local Exchange Service lines are provided for the connection of Customer-provided wiring, telephones, facsimile machines or other station equipment. An optional per line Hunting feature is available for multi-line Customers which routes a call to the next idle line in a prearranged group when the called line is busy.

Local exchange service lines and trunks are provided on a single party (individual) basis only. No multi-party lines are provided. Service is available on a flat rate, measured rate or message rate basis depending on the service plan selected by the Customer. Not all service plans will be available in all areas.

Recurring charges for Standard Business Local Exchange Service are billed monthly in advance. Usage charges, if applicable are billed in arrears. Usage charges may apply for calls placed from the Customer's line. No usage charges will apply to calls received by the Customer. Non-recurring charges for installation or rearrangement of service are billed on the next month's bill immediately following work performed by the Company.

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SECTION 7.0 - LOCAL EXCHANGE SERVICES PRICE LIST (CONTINUED)

7.3 Standard Business Local Exchange Service, (Continued)

7.3.1 Monthly Recurring Charges

The following charges apply to Standard Business Local Exchange Service lines per month. Rates and charges do not include Touchtone Service. The rates and charges below apply to service provided on a month-to-month basis.

BellSouth Area

RATE CLASS	SERVICE TYPE		
	Flat Rate	Measured Rate	RegionServ
Rate Class 1	\$27.05	\$20.29	\$24.50
Rate Class 2	\$30.80	\$23.10	\$24.50
Rate Class 3	\$32.75	\$24.56	\$24.50
Rate Class 4	\$39.05	\$29.29	\$27.50
Rate Class 5	\$39.70	\$29.78	\$27.50
Rate Class 1C	\$29.80	\$22.35	N/A
Rate Class 2B	\$32.70	\$24.53	N/A
Rate Class 2C	\$31.75	\$23.81	N/A
Rate Class 2D	\$32.75	\$22.35	N/A
Rate Class 3B	\$33.75	\$25.31	N/A

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SECTION 7.0 - LOCAL EXCHANGE SERVICES PRICE LIST (CONTINUED)

7.3 Standard Business Local Exchange Service, (Continued)

7.3.2 Other Monthly Recurring Charges

Hunting (a/k/a Rotary or Grouping)

The following charges apply to Standard Business Local Exchange lines equipped with Hunting. Rates vary based on Rate Group.

Rate Class	Hunting Per Line
Rate Class 1	\$20.29
Rate Class 2	\$23.10
Rate Class 3	\$24.56
Rate Class 4	\$29.29
Rate Class 5	\$29.78
Rate Class 1C	\$22.35
Rate Class 2B	\$24.53
Rate Class 2C	\$23.81
Rate Class 2D	\$22.35
Rate Class 3B	\$25.31

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SECTION 7.0 - LOCAL EXCHANGE SERVICES PRICE LIST (CONTINUED)

7.3 Standard Business Local Exchange Service, (Continued)

7.3.3 Usage Sensitive Charges and Allowances

(A) Flat Rate Service

No measured or message charges apply to calls placed or received from Flat Rate service lines. Customers receive unlimited calling within their local calling area.

(B) Measured Service

Customers subscribing to Measured Service will be charged a monthly recurring charge and will be charged a per minute rate for all local outgoing calls. Local usage is billed in arrears.

BellSouth Area

	First Minute	Add'l Minute
Day Period	\$0.04	\$0.02
Evening Period	\$0.026	\$0.013
Night Period	\$0.016	\$0.008

(C) RegionServ Service

RegionServ is an enhanced form of measured service for measured calling to the standard local calling area and all wire centers within 40 miles. Customers subscribing to RegionServ Service will be charged a monthly recurring charge and a per minute charge is applied to local calls placed from the Customer's line. Local usage will be billed in arrears. Peak time is Monday to Friday from 7:00am to 6:59pm. Off-Peak time is all day Saturday and Sunday and Monday to Friday 7:00pm to 6:59am.

BellSouth Area

BAND	PEAK MINUTE	OFF-PEAK MINUTE
Band A (Local Calling)	\$0.02	\$0.01
Band B (17-30 miles)	\$0.05	\$0.025
Band C (31-40 miles)	\$0.10	\$0.05

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**SECTION 7.0 - LOCAL EXCHANGE SERVICES PRICE LIST (CONTINUED)**

**7.3 Standard Business Local Exchange Service, (Continued)**

**7.3.4 Non-Recurring Charges**

Non-recurring charges apply to each line installed for the Customer. Non-recurring charges are in addition to applicable service order charges contained in Section 4 of this tariff. All such charges will appear on the next bill following installation of the service.

Non-recurring charges for installation of Business lines are:

BellSouth Area	
First Line	\$58.50
Each Additional Line	\$31.00

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SECTION 7.0 - LOCAL EXCHANGE SERVICES PRICE LIST (CONTINUED)

7.5 Business PBX Trunk Service

PBX Trunk service provides a Customer with a single, voice-grade telephonic communications channel which can be used to place one call at a time. Trunks are provided for connection of Customer-provided private branch exchanges (PBX) or other station equipment to the public switched telecommunications network.

PBX Trunks are available to Business Customers as Inward, Outward or Two-Way combination trunks where services and facilities permit.

An optional per trunk Hunting feature is available for Customers which routes a call to the next idle trunk in a prearranged group (see Sections 7.2 and 7.3). Rates are in Section 7.3.1.

PBX Trunks may also be equipped with Direct Inward Dialing (DID) capability and DID number blocks for additional charges (see Section 7.6).

BellSouth Area RATE CLASS	SERVICE TYPE		
	Flat Rate	RegionServ	Measured Rate
Class 1	\$27.05	\$24.50	\$20.29
Class 2	\$30.80	\$24.50	\$23.10
Class 3	\$32.75	\$24.50	\$24.56
Class 4	\$39.05	\$27.50	\$29.29
Class 5	\$39.70	\$27.50	\$29.78
Class 1C	\$29.80	N/A	\$22.35
Class 2B	\$32.70	N/A	\$24.53
Class 2C	\$31.75	N/A	\$23.81
Class 2D	\$32.75	N/A	\$22.35
Class 3B	\$33.75	N/A	\$25.31

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SECTION 7.0 - LOCAL EXCHANGE SERVICES PRICE LIST (CONTINUED)

7.6 Direct Inward Dialing (DID) Service

Direct Inward Dialing ("DID") permits calls incoming to a PBX system or other Customer Premises Equipment to be routed to a specific station without the assistance of an attendant. DID calls are route directly to the station associated with the called number. DID service as offered by the Company provides the necessary trunks, telephone numbers, and out-pulsing of digits to enable DID service at a Customer's location. DID service requires special PBX software and hardware not provided by the Company. Such hardware and software is the responsibility of the Customer.

The following charges apply to Customers subscribing to DID service provided by the Company. These charges are in addition to recurring and non-recurring charges for PBX Trunks as shown in Section 7.5 of this tariff. The Customer will be charged for the number of DID numbers utilized out of the available 20 numbers.

	<u>Installation Charge</u>	<u>Monthly Recurring</u>
Establish Trunk Group and Provide 1 <sup>st</sup> Block of 20 DID Numbers	\$480.00	\$3.40
Each Additional Block of 20 DID Numbers	\$0.00	\$3.40
DID Trunk Termination: Per Inward Only Trunk	\$50.00	\$26.00
Dual Tone Multifrequency Pulsing Option, Per Trunk	N/A	\$7.50

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SECTION 7.0 - LOCAL EXCHANGE SERVICES PRICE LIST (CONTINUED)

7.7 Reserved For Future Use

7.8 Optional Calling Features

The features in this section are made available on an individual basis or as part of multiple feature packages. All features are provided subject to availability. Certain features may not be available with all classes of service. Transmission levels for calls forwarded or calls placed or received using optional calling features may not be acceptable for all some uses in some cases.

7.8.1 Features Offered on a Usage Sensitive Basis

The following features are available to all local exchange Business and Residence line Customers where facilities and services permit. Customers may utilize each feature by dialing the appropriate access code. The Customer will be billed the Per Feature Activation Charge shown in the following table each time a feature is used by the Customer. Customers may subscribe to these features on a monthly basis at their option to obtain unlimited use of these features for a fixed monthly charge.

Optional Calling Features		Residence	Business
Three-Way Calling		\$0.75	\$0.75
Call Return		\$0.75	\$0.75
Repeat Dialing		\$0.75	\$0.75
Calling Number Delivery Blocking, Per Call		\$0.75	\$0.75

Denial of per call activation for Three-Way Calling, Call Return and Repeat Dialing from any line or trunk is available to Customers upon request at no additional charge.

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**SECTION 7.0 - LOCAL EXCHANGE SERVICES PRICE LIST (CONTINUED)**

**7.8 Optional Calling Features, (Continued)**

**7.8.2 Features Offered on a Monthly Basis**

The following optional calling features are offered to Customers on a monthly basis. Customers are allowed unlimited use of each feature. No usage sensitive charges apply. Multiline Customers must order the appropriate number of features based on the number of lines which will have access to the feature.

Optional Calling Feature	Residence	Business
Call Forwarding Variable	\$3.50	\$4.75
Call Forwarding Variable with Remote Access	\$5.75	\$9.00
Call Forwarding Don't Answer - Basic	\$1.00	\$4.25
Call Forwarding Don't Answer w/Ring Control	\$1.00	\$4.25
Call Forwarding Don't Answer - Variable	\$3.00	\$6.25
Call Forwarding Busy Line - Basic	\$1.00	\$4.25
Call Forwarding Busy Line - Variable	\$3.00	\$6.25
Call Waiting - Basic	\$3.00	\$3.90
Caller ID - Basic	\$7.00	\$7.00
Caller ID - Deluxe with ACR	\$7.50	\$7.50
Caller ID - Deluxe without ACR	\$7.50	\$7.50
Caller ID - Enhanced with ACR	N/A	\$15.99
Caller ID - Enhanced with ACR & Call Manage	N/A	\$16.95
Caller ID - Enhanced with all features	N/A	\$16.95
Caller ID - Deluxe without ACR	N/A	\$11.00
Anonymous Call Rejection	\$3.00	\$3.00
Call Block	\$4.00	\$4.00
Call Return	\$4.50	\$4.50
Call Selector	\$3.00	\$3.00
Call Tracing	\$4.00	\$4.00
Distinctive Ring - Two Numbers	\$6.00	\$10.00
Distinctive Ring - One Number	\$4.00	\$7.00
Repeat Dialing	\$4.00	\$4.00
Speed Calling (30 codes)	\$4.00	\$5.50
Speed Calling (8 codes)	\$3.75	\$4.50
Three Way Calling	\$4.95	\$6.00
Touch Tone (per line)	\$1.00	\$3.00

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SECTION 8.0 - DIRECTORY ASSISTANCE AND LISTING SERVICES

8.1 Directory Listings

8.1.1 General

The following rules apply to standard listings in light face type in the white pages (alphabetical section) of the telephone directory and to the Directory Assistance records of the Company.

Only information necessary to identify the Customer is included in these listings. The Company use abbreviations in listings. The Company may reject a residence listing, which is judged to be advertising. It may also reject a listing it judges to be objectionable. A name made up by adding a term such as Company, Shop, Agency, Works, etc. to the name of a commodity or service willing to be accepted as a listing unless the subscriber is legally doing business under that name.

A name may be repeated in the white pages only when a different address or telephone number is used.

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SECTION 8.0 - DIRECTORY ASSISTANCE AND LISTING SERVICES

8.1 Directory Listings, (Continued)

8.1.2 Composition of Listings

(A) Names

The following names may be included in business service listings:

- (1) The name of subscriber or joint user.
- (2) The name of each business enterprise which the subscriber or joint user conducts.
- (3) The name by which the business of a subscriber or joint user is known to the public. Only one such name representing the same general line of business will be accepted.
- (4) The name of any person associated with the subscriber or joint user in the same business.
- (5) The name of any person, firm or organization which subscriber or joint user is authorized to represent, or the name of an authorized representative of the subscriber or joint user.
- (6) Alternative spelling of an individual name or alternative arrangement of a business name, provided the listing in the judgment of the Company, is not for advertising purposes. The name of a publication issued periodically by the subscriber or joint user.
- (7) The name of an inactive business organization in a cross-reference listing when authorized by such business or organization.
- (8) The name of a member of subscriber's domestic establishment when business service is furnished in the subscriber's residence.
- (9) The name of a corporation which is the parent or a subsidiary of the subscriber.
- (10) The name of a resident of a hotel, apartment house, boarding house or club which is furnished PBX service, may be included in a residence type listing with the telephone number of the PBX service.
- (11) The name of the subscriber to a sharing arrangement.

**SECTION 8.0 - DIRECTORY ASSISTANCE AND LISTING SERVICES**

**8.1 Directory Listings, (Continued)**

**8.1.2 Composition of Listings, (Continued)**

**(B) Designation**

The purpose of a business designation is to identify the listed party and not to advertise the business. No designation of the nature of the business is included if this is sufficiently indicated by the name. Where a listed party is engaged in more than one general line of business, one additional business designation may be included in the listing when necessary to identify the listed party. When a listed party has two or more listed telephone number or two or more business addresses, designations indicating the branches of the organization may be included where necessary to assist the public in calling.

A designation may include a title to indicate a listed party's official position, but not the name of the firm or corporation with which the individual is connected. Individual names or titles are not shown following the name of a firm or corporation. A term such as "renting agent" may be included in a listing indented under the name of a building, provided the agent maintains a renting office in such a building.

A designation is not ordinarily provided in a residence type listing except for residential service as permitted under the terms of this tariff. A professional designation is permitted on residence service in the case of a physician, surgeon, dentist, osteopath, chiropodist, podiatrist, optometrist, chiropractor, physiotherapist, Christian Science practitioner, veterinary surgeon, registered nurse or licensed practical nurse, provided that the same name and designation is also listed on business service of that subscriber or another subscriber in the same or different directory.

The listing of service in the residence of a clergyman may include the designation "parsonage," "rectory," "parish house," or "manse," and any such listing may be indented under a listing in the name of the church. Where residence service is furnished in a church study, the listing may include the designation "study."

**SECTION 8.0 - DIRECTORY ASSISTANCE AND LISTING SERVICES**

**8.1 Directory Listings, (Continued)**

**8.1.2 Composition of Listings, (Continued)**

**(C) Address**

Each residence or non-profit listing may, but does not have to, include the house number and street name of the residence where the telephone service is provided. Other information, such as a building name or a locality designation, may be included to help identify the Customer.

**(D) Telephone Number**

Each listing may include only one telephone number, except in an alternate telephone number listing where each number listed is considered a line for rate purposes.

A listing may include only the telephone number of the first line of a PBX system or incoming service group, except that a trunk not included in the incoming service group of a PBX system, or the first trunk of a separate incoming service group of a PBX system may be listed to meet special conditions where a corporation and its subsidiaries use the same PBX system.

**SECTION 8.0 - DIRECTORY ASSISTANCE AND LISTING SERVICES**

**8.1 Directory Listings, (Continued)**

**8.1.3 Types of Listings**

**(A) Standard Listing**

A standard listing includes a name, designation, address and telephone number of the Customer. It appears in the White Pages of the telephone directory and in the Company's Directory Assistance records. The designation in the listing will be provided according to the rules in paragraph 5.13.2.2 above.

**(B) Indented Listing**

An indented listing appears under a standard listing and may include only a designation, address and telephone number. An indented listing is allowed only when a Customer is entitled to two or more listings of the same name with different addresses or different telephone numbers. For example:

Smith, John MD  
Office 125 Portland 555-4180  
Residence 9 Glenway 555-8345

Such listing may be furnished as an indented listing or as a sub-caption. The telephone number in such a listing may be that of another service furnished the same subscriber or one of the subscriber's PBX trunks not included in the incoming service group, or the service furnished a different subscriber.

**SECTION 8.0 - DIRECTORY ASSISTANCE AND LISTING SERVICES**

**8.1 Directory Listings, (Continued)**

**8.1.3 Types of Listings, (Continued)**

**(C) Alternate Telephone Number Listing and Night Listing**

Any listed party who has made the necessary arrangements for receiving telephone calls during his or her absence may have an alternate telephone number listing or a night listing, such as the following.

If no answer call (telephone number)  
Night calls (telephone number)  
Night calls after \_\_\_PM (telephone number)  
Nights, Sundays and holidays (telephone number)  
5PM to 9AM weekdays, Saturday until 9AM, Monday and holidays  
(telephone number)

Such listing may be furnished as an indented listing or as a sub-caption. The telephone number in such a listing may be that of another service furnished the same subscriber or one of the subscriber's PBX trunks not included in the incoming service group, or the service furnished a different subscriber.

**(D) Duplicate Listing**

Any listing may be duplicated in a different directory or under a separate geographical heading in the same directory. Such listing may be duplicated in indented form.

**(E) Reference Listing**

A subscriber having exchange services listed under different geographical headings may have an indented listing in reference form in lieu of a duplicate listing.

**(F) Cross Reference Listing**

A cross reference listing may be furnished in the same alphabetical group with the related listing when required for identification of the listed party and not designated for advertising purposes.

**SECTION 8.0 - DIRECTORY ASSISTANCE AND LISTING SERVICES**

**8.1 Directory Listings, (Cont'd.)**

**8.1.4 Free Listings**

The following listings are provided at no additional charge to the Customer: one listing for each individual line service, auxiliary line or PBX system.

**8.1.5 Rates for Additional Listings - Business Customers**

The following rates and charges apply to additional listings requested by the Customer over and above those free listings provided for in Section 8.1.4.

Type of Listing	Residential Charge	Business Charge
Reference/Cross Reference:		
- Each Listing	\$1.00	\$1.50
Alternate Telephone Number/Night Listing:		
- Night, Sundays & Holidays	\$1.25	\$1.50
- First Line	\$1.25	\$1.50
Additional Listing	\$1.00	\$1.50
Foreign Listing	\$1.00	\$1.50
Dual Name Liking - Non Recurring		
	\$5.50	\$5.50

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**SECTION 8.0 - DIRECTORY ASSISTANCE AND LISTING SERVICES**

**8.2 Non-Published Service**

**8.2.1 General**

Non-published service means that the Customer's telephone number is not listed in the directory, nor does it appear in the Company's Directory Assistance Records.

**8.2.2 Regulations**

This service is subject to the rules and regulations for E911 service, where applicable.

The Company will complete calls to a non-published number only when the caller dials direct or gives the operator number. No exceptions will be made, even if the caller says it is an emergency.

When the Company agrees to keep a number unlisted, it does so without any obligation. Except for cases of gross negligence or willful misconduct, the Company is not liable for any damages that might arise from publishing a non-published number in the directory or disclosing it to some. If, in error, the telephone number is published in the directory, the Company's only obligation is to credit or refund any monthly charges the Customer paid for non-published service.

The subscriber indemnifies (i.e., promises to reimburse the Company for any amount the Company must pay as a result of) and save the Company harmless against any and all claims for damages caused or claimed to have been caused, directly or indirectly, by the publication of a non-published service or the disclosing of said number to any person.

**8.2.3 Rates and Charges**

There is a monthly charge for each non-published service. This charge does not apply if the Customer has other listed service at the same location; if the Customer lives in a hotel, boarding house or club with listed service; or if the service is installed for a temporary period.

Non-published service charge, per month	\$2.61
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**SECTION 8.0 - DIRECTORY ASSISTANCE AND LISTING SERVICES**

**8.3 Non-Listed Service**

**8.3.1 General**

Non-listed service means that the Customer's telephone number is not listed in the directory, but does it appear in the Company's Directory Assistance Records.

**8.3.2 Regulations**

This service is subject to the rules and regulations for E911 service, where applicable.

The Company will complete calls to a non-listed number.

When the Company agrees to keep a number unlisted, it does so without any obligation. Except for cases of gross negligence or willful misconduct, the Company is not liable for any damages that might arise from publishing a non-listed number in the directory or disclosing it to someone. If, in error, the telephone number is listed in the directory, the Company's only obligation is to credit or refund any monthly charges the Customer paid for non-listed service.

The subscriber indemnifies (i.e., promises to reimburse the Company for any amount the Company must pay as a result of) and save the Company harmless against any and all claims for damages caused or claimed to have been caused, directly or indirectly, by the publication of a non-listed service or the disclosing of said number to any person.

**8.3.3 Rates and Charges**

There is a monthly charge for each non-listed service. This charge applies if the Customer has other listed service at the same location; if the Customer lives in a hotel, boarding house or club with listed service; or in the service is installed for a temporary period.

Non-listed service charge, per month: \$1.42

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SECTION 8.0 - DIRECTORY ASSISTANCE AND LISTING SERVICES

8.4 Directory Assistance Services

8.4.1 Directory Assistance

A Directory Assistance charge applies per local directory assistance call. The Customer may make two (2) requests for a telephone number per call. The Directory Assistance Charge applies regardless of whether the Directory Assistance operator is able to supply the requested number. No charge applies for the first call per month per residence line.

Each Local Directory Assistance Call	\$0.50
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SECTION 9.0 - RESERVED FOR FUTURE USE

9.1 Reserved For Future Use

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SECTION 10.0 - RESERVED FOR FUTURE USE

10.1 Exchange Areas

EXCHANGE	RC	EXCHANGE	RC	EXCHANGE	RC	EXCHANGE	RC
Adams-Cdr.Hl.	5	Arlington	5	Ashland City	5	Athens	2
Bean Station	4	Bells	1	Bent Creek	4	Benton	3
BethelSprings	1	Big Sandy	2C	Blanche	2	Bolivar	1
Brownsville	1	Bulls Gap	3B	Camden	1	Carthage	1
Cedar Grove	1C	Centerville	1	Charleston	4	Charlotte	5
Chattanooga	4	Chestnut Hill	14	Clarksville	3	Cleveland	4
Clinton	4	Collierville	5	Columbia	2	Copper Basin	1
Covington	5	Cross Plains	5	Culleoka	2	Cumberld. City	1
Cumberld. Gap	2	Cunningham	3	Dandridge	4	Dayton	4
Decatur	4	Dickson	5	Dover	1	Dyer	2
Dyersburg	2	Eagleville	5	East Sango	5	Elkton	1
Etowah	2	Fairview	5	Fayetteville	1	Flintville	1
Franklin	5	Fredonia	3	Gallatin	5	Gatlinburg	4
Georgetown	4	Gibson	2	Gleason	1	Goodlettsville	5
GrandJunction	1	Greenback	4	Greenbrier	5	Greenfield	1
Halls	1	Hampshire	2	Harriman	4	Hartsville	1
Henderson	1	Hendersonvl.	5	Henning	1	Hohenwald	1
Hornbeak	1	Humboldt	2	Huntington	1	Huntland	1
Jackson	3	Jasper	4	JeffersonCity	4	Jellico	3
Kenton	2	Kingston	4	Kingston Spgs.	5	Knoxville	4
LaFollette	2	LaGrange	5	Lake City	4	Lawrenceburg	2
Lebanon	5	Lenoir City	4	Lewisburg	1	Lexington	1
Loudon	4	Lyles	2B	Lynchburg	1	Lynnville	1
Madisonville	1	Manchester	2	Maryville	4	Mascot	4
Maynardville	4	McEwen	1	McKenzie	1	Medina	2
Memphis*	5	Middleton	1	Milan	2	Morristown	2
Moscow	5	Mt. Pleasant	2	Murfreesboro	5	Nashville	5
Newbern	2	Newport	1	Normandy	2	Norris	4
N.Spring Hill	5	Oak Ridge	4	Old Hickory	5	OliverSprings	4
Palmyra	3	Paris	2	Petersburg	1	Pleasant View	5
Portland	5	Pulaski	1	Ridgely	1	Ripley	1
Rockwood	4	Rogersville	1	Sango	3	Santa Fe	2
Savannah	1	Selmer	1	Sevierville	4	Sewanee	1
Shelbyville	1	Smyrna	5	Sneedville	1	Soddy-Daisy	4
Solway	4	Somerville	5	S. Cunningham	5	S. Fredonia	5
S. Pittsburg	4	Spencer Mill	5	Spring City	4	Springfield	5
Spring Hill	2	Summertown	2D	Surgoinsville	1	Sweetwater	1
Tiptonville	1	Trenton	2	Triune	5	Troy	1
Tullahoma	2	Union City	1	Vanleer	5	Wartrace	1
Watertown	5	Waverly	1	W. Sweetwater	4	W. Whiteville	5
White Bluff	5	White House	5	White Pine	4	Whiteville	1
Whitwell	4	Williamsport	2	Winchester	1		

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**SECTION 11.0 - MISCELLANEOUS SERVICES**

**11.1 Carrier Presubscription**

**11.1.1 General**

Carrier Presubscription is a procedure whereby a Customer designates to the Company the carrier which the Customer wishes to be the carrier of choice for intraLATA and interLATA toll calls. Such calls are automatically directed to the designated carrier, without the need to use carrier access codes or additional dialing to direct the call to the designated carrier. Presubscription does not prevent a Customer who has presubscribed to an IntraLATA or InterLATA toll carrier from using carrier access codes or additional dialing to direct calls to an alternative long distance carrier on a per call basis.

**11.1.2 Presubscription Options** - Customers may select the same carrier or separate carriers for intraLATA and interLATA long distance. The following options for long distance Presubscription are available:

- Option A:** Customer select the Company as the presubscribed carrier for IntraLATA and InterLATA toll calls subject to presubscription.
- Option B:** Customer may select the Company as the presubscribed carrier for IntraLATA calls subject to presubscription and some other carrier as the presubscribed carrier for interLATA toll calls subject to presubscription.
- Option C:** Customer may select a carrier other than the Company for intraLATA toll calls subject to presubscription and the Company for interLATA toll calls subject to presubscription.
- Option D:** Customer may select the carrier other than the Company for both intraLATA and interLATA toll calls subject to presubscription.
- Option E:** Customer may select two different carriers, neither being the Company for intraLATA and interLATA toll calls. One carrier to be the Customers' primary intraLATA interexchange carrier. The other carrier to be the Customer's primary interLATA interexchange carrier.
- Option F:** Customer may select a carrier other than the Company for no presubscribed carrier for intraLATA toll calls subject to presubscription which will require the Customer to dial a carrier access code to route all intraLATA toll calls to the carrier of choice for each call.

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**SECTION 11.0 - MISCELLANEOUS SERVICES (CONTINUED)**

**11.1 Carrier Presubscription, (Continued)**

**11.1.3 Rules and Regulations**

Customers of record will retain their primary interexchange carrier(s) until they request that their dialing arrangements be changed.

Customers of record or new Customers may select either Options A, B, C, D, E or F for intraLATA Presubscription.

Customers may change their selected Option and/or presubscribed toll carrier at any time subject to charges specified in 11.4.5 below:

**11.1.4 Presubscription Procedures**

A new Customer will be asked to select intraLATA and interLATA toll carriers at the time the Customer places an order to establish local exchange service with the Company. The Company will process the Customer's order for service. All new Customers initial requests for intraLATA toll service presubscription shall be provided free of charge.

If a new Customer is unable to make selection at the time the new Customer places an order to establish local exchange service, the Company will read a random listing of all available intraLATA and interLATA carriers to aid the Customer in selection. If selection is still not possible, the Company will inform the Customer that he/she will be given 90 calendar days in which to inform the Company of his/her choice for primary toll carrier(s) free of charge. Until the Customer informs the Company of his/her choice of primary toll carrier, the Customer will not have access to long distance services on a presubscribed basis, but rather will be required to dial a carrier access code to route all toll calls to the carrier(s) of choice. Customers who inform the Company of a choice for toll carrier presubscription within the 90-day period will not be assessed a service charge for the initial Customer request.

Customers of record may initiate an intraLATA or interLATA presubscription change at any time, subject to the charges specified in 11.4.5 below. If a Customer of record inquires of the Company of the carriers available for toll presubscription, the Company will read a random listing of all available intraLATA carriers to aid the Customer in selection.

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**SECTION 11.0 - MISCELLANEOUS SERVICES (CONTINUED)**

**11.1 Carrier Presubscription, (Continued)**

**11.1.5 Presubscription Charges**

**(A) Application of Charges**

After a Customer's initial selection for a presubscribed toll carrier and as detailed in Paragraph 11.4.4 above, for any change thereafter, a Presubscription Change Charge, as set forth below will apply. Customers who request a change in intraLATA and interLATA carriers with the same order will be assessed a single charge per line.

**(B) Nonrecurring Charges**

Per business or residence line, trunk, or port

Initial Line, or Trunk or Port	\$1.49
Additional Line, Trunk or Port	\$1.49



**SECTION 12.0 - PROMOTIONAL OFFERINGS**

**12.1 Special Promotions**

The Company may from time to time engage in special promotional trial service offerings of limited duration (not to exceed ninety days on a per Customer basis for non-optional, recurring charges) designed to attract new subscribers or to increase subscriber awareness of a particular tariff offering. Requests for promotional offerings will be presented to the Commission for its review in accordance with rules and regulations established by the Commission, and will be included in the Carrier's tariff as an addendum to the Carrier's price lists.

**12.2 Discounts**

The Company may, from time to time as reflected in the price list, offer discounts based on monthly volume (or, when appropriate, "monthly revenue commitment" and/or "time of day" may also be included).

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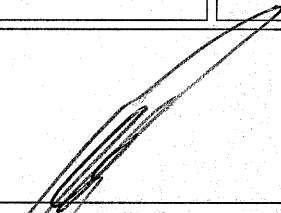
# **CERTIFICATE OF SERVICE**

The undersigned hereby certifies that a copy of the attached APPLICATION OF COVISTA, INC. FOR A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY was served upon the following parties of record by depositing a copy of same in the United States Mail, First Class, Postage Prepaid, to their last known address as follows:

<p><b><u>Ardmore Telephone Company, Inc.</u></b></p> <p>P.O. Box 549 517 Ardmore Avenue Ardmore, TN 38449 (205) 423-2131 (205) 423-2208 (Fax)</p>	<p><b><u>BellSouth</u></b></p> <p>333 Commerce Street Nashville, TN 37201-3300 (615) 214-3800 (615) 214-8820 (Fax)</p>	<p><b><u>Century Telephone of Adamsville</u></b></p> <p>P.O. Box 405 116 N. Oak Street Adamsville, TN 38310 (901) 632-3311 (901) 632-0232 (Fax)</p>
<p><b><u>Century Telephone of Claiborne</u></b></p> <p>P.O. Box 100 507 Main Street New Tazewell, TN 37825 (423) 626-4242 (423) 626-5224 (Fax)</p>	<p><b><u>Century Telephone of Ooltewah-Collegedale, Inc.</u></b></p> <p>P.O. Box 782 5616 Main Street Ooltewah, TN 37363 (423) 238-4102 (423) 238-5699 (Fax)</p>	<p><b><u>Citizens Communications Company of Tennessee</u></b></p> <p>P.O. Box 770 300 Bland Street Bluefield, WV 24701</p>
<p><b><u>Citizens Communications Company Of The Volunteer State</u></b></p> <p>P.O. Box 770 300 Bland Street Bluefield, WV 24701</p>	<p><b><u>Loretto Telephone Company, Inc.</u></b></p> <p>P.O. Box 130 Loretto, TN 38469 (931) 853-4351 (931) 853-4329 (Fax)</p>	<p><b><u>Millington Telephone Company, Inc.</u></b></p> <p>4880 Navy Road Millington, TN 38053 (901) 872-3311 (901) 873-0022 (Fax)</p>

<p><b><u>Sprint-United</u></b></p> <p>112 Sixth Street Bristol, TN 37620 (423) 968-8161 (423) 968-3148 (Fax)</p>	<p><b><u>TDS Telecom-Concord Telephone Exchange, Inc.</u></b></p> <p>P.O. Box 22610 701 Concord Road Knoxville, TN 37933-0610 (423) 966-5828 (423) 966-9000 (Fax)</p>	<p><b><u>TDS Telecom-Humphreys County Telephone Company</u></b></p> <p>P.O. Box 552 203 Long Street New Johnsonville, TN 37134-0552  (931) 535-2200 (931) 535-3309 (Fax)</p>
<p><b><u>TDS Telecom-Tellico Telephone Company, Inc.</u></b></p> <p>P.O. Box 9 102 Spence Street Tellico Plains, TN 37385-0009  (423) 671-4600 (423) 253-7080 (Fax)</p>	<p><b><u>TDS Telecom-Tennessee Telephone Company</u></b></p> <p>P.O. Box 18139 Knoxville, TN 37928-2139 (423) 922-3535 (423) 922-9515 (Fax)</p>	<p><b><u>TEC-Crockett Telephone Company, Inc.</u></b></p> <p>P.O. Box 7 Friendship, TN 38034  (901) 677-8181</p>
<p><b><u>TEC-People's Telephone Company, Inc.</u></b></p> <p>P.O. Box 310 Erin, TN 37061  (931) 289-4221 (931) 289-4220 (Fax)</p>	<p><b><u>TEC-West Tennessee Telephone Company, Inc.</u></b></p> <p>P.O. Box 10 244 E. Main Street Bradford, TN 38316  (901) 742-2211 (901) 742-2212 (Fax)</p>	<p><b><u>United Telephone Company</u></b></p> <p>P.O. Box 38 120 Taylor Street Chapel Hill, TN 37034  (931) 364-2289 (931) 364-7202 (Fax)</p>

This the 30 day of July, 2003.

  
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